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DEVELOPMENTS IN RUSSIA AND THE NEW
INDEPENDENT STATES

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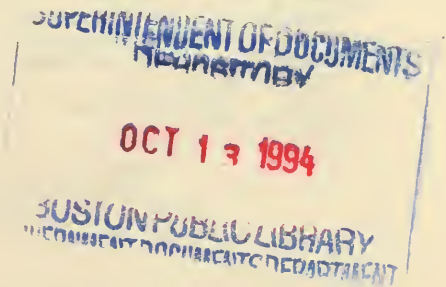
Developments in Russia and the New...

HEARING
BEFORE THE
SUBCOMMITTEE ON
EUROPE AND THE MIDDLE EAST
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

SECOND SESSION

JUNE 29, 1994

Printed for the use of the Committee on Foreign Affairs



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DEVELOPMENTS IN RUSSIA AND THE NEW INDEPENDENT STATES

WEDNESDAY, JUNE 29, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON EUROPE AND THE MIDDLE EAST,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m. in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman) presiding.

Chairman HAMILTON. The meeting of the subcommittee will come to order.

The subcommittee meets today in open session to discuss recent developments in Russia and the New Independent States. We last met in open session to discuss these developments and U.S. assistance issues related to the NIS on March 24 of this year.

Our witness today is the Honorable James F. Collins, Senior Coordinator, Office of the Ambassador-at-Large for the New Independent States. We have a number of questions, of course, this morning, including questions on the progress of economic and political reforms in these countries, particularly Russia and Ukraine; the status of U.S. assistance; recent Russian membership in the Partnership for Peace; the situation in Nagorno-Karabakh; and the implications of the recent elections in Ukraine.

Mr. Ambassador, before going to your testimony, I want to draw your attention to one issue of concern to the Chair. We submitted a number of questions following the hearing on assistance to the NIS on March 24. I am informed we have not yet received responses to these questions from the Department. In addition, during that hearing, the administration witnesses promised to provide the subcommittee with a country-by-country breakdown of fiscal year 1995 assistance to the NIS. To my knowledge this breakdown has not been received either. I hope you will get these materials to the subcommittee as soon as possible.

We have a lot of questions we want to raise with the witness this morning.

We welcome you before the subcommittee today. Your statement, of course, will be entered into the record in full. You may proceed.

Mr. Hastings, any comment?

Mr. HASTINGS. No, Mr. Chairman. I just wish to welcome Mr. Collins.

Chairman HAMILTON. Go ahead, Mr. Ambassador.

STATEMENT OF THE HONORABLE JAMES F. COLLINS, SENIOR COORDINATOR, OFFICE OF THE AMBASSADOR-AT-LARGE FOR THE NEW INDEPENDENT STATES, U.S. DEPARTMENT OF STATE

Mr. COLLINS. Thank you, Mr. Chairman. I have a brief statement, with your permission.

When I appeared before this subcommittee last March, I outlined three policy objectives this administration places at the forefront of its policy toward Russia and the NIS: democratization of the political process and respect for the rights of the citizens of these states; foreign policies that respect the sovereignty and independence and territorial integrity of neighbors; the promotion of economic reform that includes transition to a market economy, privatization and stabilizing the macroeconomic situation in each of these states; and the prevention of the emergence of any new nuclear power among the New Independent States and the reduction of the nuclear arsenal on the territory of the former Soviet Union.

Ambitious as these objectives may be and subject to challenges as they are, we have stayed with these goals and are pursuing them. We have done so because they are central to achieving the NIS integration as market-based democracies into the world's security, political and economic structures.

I am pleased to report we have witnessed some important positive results. In priority areas of our foreign policy, we have seen important developments from our effort to build a partnership of cooperation with Russia. Last week's decision by the Russian federation to join the Partnership for Peace is an historic, important step toward an undivided, integrated European security system.

Just prior to North Korea's agreement last week to freeze its nuclear program, we and Russia worked closely on a joint U.S.-Security Council resolution that would have included sanctions and provision for an international conference. In the end, we found no serious issues that divided us, and we believe it was important to achieving the progress we have made on Korea.

We have worked cooperatively with Russia in the U.N. Security Council to produce key resolutions on the Bosnia crisis. The trilateral agreement with Russia and Ukraine is being implemented scrupulously and is reducing the nuclear warhead numbers in Ukraine.

Finally, we look forward to President Yeltsin's participation with other world leaders at the G-7 meeting in Naples in July.

On the economic front, Russia's 1994 economic reform program has earned the IMF's support with a \$1.5 billion loan. Prime Minister Chernomyrdin has maintained strict budgetary policies that have resulted in a trimming of the government's deficit from 18 percent of gross domestic product in 1992 to 8 percent last year, and a sharp drop in inflation from 20 percent a month in 1993 to about 8 or 9 percent per month since February of this year.

About 100,000 small enterprises have been privatized and some 40 percent of Russia's gross domestic product is now produced in the private sector.

Elsewhere in the NIS, Moldova and Kazakhstan have made significant progress toward economic reform and have received financial support under IMF programs.

As we look to the future in Russia and the NIS, we also see, of course, major challenges ahead. Russia's new democratic institutions are just now taking root. Major institutions such as an independent judiciary have yet to be created. Crime and corruption has become a major problem throughout the NIS and causes special concern in Russia. Ukraine's long-term viability is threatened by the potential deterioration of its economy. Elements of Russia's armed forces have still not totally withdrawn from Latvia, Estonia and Moldova. Conflicts in the Caucasus in Central Asia continue to endanger the future independence and sovereignty of states in these regions. These matters continue to demand our attention and will have it.

Furthermore, there will be setbacks, and we know that new issues will arise. What is imperative today, however, is that in contrast to the confrontation we faced just a few years ago, relationships of cooperation with Russia, Ukraine, Kazakhstan and the other New Independent States permit our countries to address difficult issues, seek common ground, and to develop mutually advantageous outcomes.

There is no better example of this than the meetings between Vice President Gore and Prime Minister Chernomyrdin last week. At these meetings, some 22 different agreements were reached across an agenda ranging from the space station, health care, energy, to the environment.

My message, in short, is a simple one: Partnership, however complex and however difficult, is producing results. These results are serving an important American interest: a stable, democratic Russia and a nonnuclear, economically viable Ukraine, engaged productively with its neighbors and with Europe. The integration of both in the international community will enhance the security and prosperity of Europe and serve important American interests.

With that, Mr. Chairman, I would simply ask you enter the full statement in the record.

If I may, I will ensure the questions are brought to you. I was not aware they had not been. It is my understanding, however, that figures on the 1995 allocation were submitted to committees of Congress. If you have not received them, we will rectify that.

[The prepared statement of Mr. Collins appears in the appendix.]

Chairman HAMILTON. We would expect to receive the answers to the questions?

Mr. COLLINS. Yes. Absolutely.

Chairman HAMILTON. By when?

Mr. COLLINS. I will try to get them to you by the end of this week.

Chairman HAMILTON. All right, sir. We will check on that. We will check on the allocation breakdown.

REPORT OF LEADERSHIP DELEGATION TO RUSSIA

Let me begin with an organizational matter. You recall the Majority Leader and the Minority Leader led a delegation to Moscow earlier this year. They came back and made several recommendations with regard to Russia and among those recommendations was strengthening internal coordination of U.S. assistance programs, and I think they sent those recommendations to the President.

What has been the reaction of the administration to their report? What changes have been made as a result? Can you tell us?

Mr. COLLINS. Yes, sir. Let me briefly go through what I believe were the key recommendations and then give you an indication of where we are trying to direct things.

First of all, there was a recommendation that greater attention and focus be given to exchange programs and what I will call "manpower training."

Chairman HAMILTON. 50,000 a year?

Mr. COLLINS. Yes. We are providing for some 20,000 to 30,000 exchanges over the next 2 years and believe that that figure is a reasonable one.

It is, for instance, in line with sort of the basic Marshall Plan figures that were involved with the exchange programs under that initiative after the war. They recommended an increase or greater attention to small business exchanges. We are working to increase the exchanges by some 20 percent. We are working to improve and direct infrastructure programs in that area; and we are shortly to have set up and in place and ready to go a part or an element of the Enterprise Fund in Russia that will be dedicated to making small loans. It will work through local banks.

RESTRUCTURING OFFICE OF AMBASSADOR-AT-LARGE

Chairman HAMILTON. With regard to that, I have heard a number of comments with regard to restructuring your office, the Office of the Ambassador-at-Large. I heard about creating a new NIS bureau, disbanding your office, placing it under the control of the Assistant Secretary for European Affairs, creating a coordinator spot in the White House, all kinds of things.

What is the status of all of that?

Mr. COLLINS. The status, Mr. Chairman, is that the Secretary is looking at the question of what will be the most appropriate organization to carry out, from this point forward, NIS policy.

Chairman HAMILTON. When can we expect a recommendation there?

Mr. COLLINS. I believe you will get it soon. Whatever recommendation or decision is made will, of course, be made in close consultation with the Congress.

[The following was subsequently submitted for the record:]

As you know, this is one of the items the Secretary has recommended be done. I believe it essential to support our NIS policies in every way possible, but the final decision will of course be made in close consultations with Congress.

Chairman HAMILTON. Well, let me just give you my—I will begin some of that consultation right now, if you do not mind. I will tell you what I am interested in. I think I speak for a large number of my colleagues here.

When you look at the question of a U.S. assistance program, there are several things that we are interested in. I am sure you are knowledgeable about these. We want quick disbursal, of course. We had an exchange on that the last time we met.

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. We clearly want to have a very high impact on the reform process that is taking place there.

We think it is important that there be effective coordination, not just with other donors, but within our own government as well.

We have been dealing with this question of Russian aid for some time now, not just in this administration, but in previous administrations as well. I have the very distinct impression, Mr. Ambassador, that someone sitting in the State Department is not going to get the attention of the other agencies if they want to push something through, and that that person, in my judgment, has to be in the White House. There are just too many spigots, too many bureaus, agencies, departments involved.

We have had some very good people involved in this, including yourself, but we all recognize that there is a certain clout that has to come from the White House to knock heads together and to be able to move from one department to the other and from one agency to the other.

I think someone in the Office of the Coordinator has to have bureaucratic clout, who can break through interagency delay and gridlock and get things done.

I don't want to try to speak for them, but it is certainly my strong impression that that is the view of both the Majority and Minority Leader here. After their trip, they mentioned words to that effect to me on a number of occasions.

So I want to know what the administration is planning here. And if you want advice and consultation from us here, it is that this person who is coordinating aid to Russia has to be centered in the White House.

Mr. COLLINS. OK. I understand your point. I believe there really are two elements being considered, if I may, sir, on organizing to deal effectively with these issues.

At this time, it is my understanding—and I believe it will so emerge—that there is strong consideration being given to maintaining a distinct Office of a Coordinator, who will do precisely what you are talking about with respect to the assistance program.

As you know, Ambassador Simons has had the function under a charter from the President to be the Coordinator for Assistance, and there is an effort to seek someone to follow him who will have the kind of authority and stature that you are talking about with respect to the interagency process and allocating and expending assistance.

That is being considered in conjunction also with establishing at our Embassy in Moscow a position which would have, as a full-time responsibility, sort of overseeing the implementation on the ground of these programs. These two would work closely together.

The other side or the second element of this is the question about whether or how there will be the structuring of a policy bureau in the State Department dealing with NIS—whether it will be a new bureau, whether it will be connected with the European Bureau, and so forth. They are seen as, simply, if I may, two separate questions. I believe the Coordinator for Assistance will continue to function independently and under a charter from the President.

EXPENDITURE OF U.S. ASSISTANCE

Chairman HAMILTON. Well, this question of the clout of the Coordinator is very much tied to the question of disbursement of assistance. I want to go over with you again my concerns here.

I don't want to get bogged down in a lot of numbers, but our information here is that as of March 31, you have expended \$423 million in assistance for the NIS. \$194 million of that is in Russia. That represents 13 percent of the fiscal year 1992, 1993, and 1994 appropriations for the NIS.

We talked about this. You sent a letter to the committee in May of this year in which you addressed a number of the reasons for the low expenditure levels, and I am quoting now from your letter.¹

"We have been slowed by contractual legal and procedural requirements as well as cumbersome procedures for making available appropriated funds and for transferring funds between agencies. Those of us with day-to-day responsibility for these programs are working in consultation with the Congress to eliminate the procedural delays on our side."

I don't have any doubt about the difficulties you confronted. That is why I am so interested in a Coordinator that can crack heads and move through some of these complexities on our side.

Now, you have enough complexities on the other side in Russia itself, but we have to be able to cut through these complexities. Russia is the No. 1 foreign policy priority in the world. What happens there—I think you agree with that—it is absolutely essential.

Mr. COLLINS. I agree with that.

Chairman HAMILTON. Whether or not we succeed with the future shape of the world, this is absolutely essential. I have just not had a sense of urgency. I am not critical of you at this point. I have not had a sense of urgency and drive on the part of the President, on the part of the White House, on this question.

Now, Members of Congress know when the President of the United States is interested in something and when he is not. We get the vibrations all up and down. What I have not felt here is a strong sense of urgency on this Russian problem. That is why I am raising it with you today. I don't hold you responsible for that, but I do hold your superiors responsible for it. I want you to convey to them that I am getting very impatient and restless on this.

I think my colleagues are getting impatient and restless on it. We want to see some action. OK? Have you got the message?

Mr. COLLINS. May I just give you what I understand to be our latest figures and where we think we are?

Chairman HAMILTON. Sure.

Mr. COLLINS. We talked about expenditures as a percentage of appropriations when I was up here last time. I agree with you that that is the figure we ought to look at.

The latest figure I have been given as of the 20th of June is approximately 18 percent, 18 plus a little bit.

Chairman HAMILTON. OK. I gave you a figure since March 31.

Mr. COLLINS. That is right; I understand that. I wanted to update you, sir.

Chairman HAMILTON. Thank you. Very good. Mr. Hastings?

¹A copy of the letter appears in the appendix.

ASSISTANCE USED FOR MARKET REFORM

Mr. HASTINGS. Mr. Ambassador, during the last 2 weeks, I have had occasion to meet with several persons from Russia, and two specifically pointed out that they felt that between now and September that there would be major—and I am quoting—"upheavals in Russia" such that the question that will be raised is whether or not they are moving more toward totalitarianism and away from market reform.

In light of that, and as one who is very supportive of aid to Russia, I am concerned to know your views when we are involved in bilateral assistance and not certain that it is going to get to the places for which it is intended.

As a segue to what the Chairman was saying, I am sure that all of us would want to know if we spent a dollar that it was spent for what we wanted it to go for. With the social disorientation in Russia, particularly with the crime—and you did earlier on indicate to us that you were establishing an interagency force on crime in the NIS—I just—if we sent \$150 million and if only half of it is getting where we intend it to go, it is kind of hard for me to go home and tell my people that we ought to send money to Russia when we have social disorientation here in our own country.

I am just curious, if you can respond to my rambling question.

Mr. COLLINS. I think I have the question very clear, sir. Are we spending the taxpayers' dollars effectively and getting what we want to achieve?

First of all, let me say that we believe we have a very good record in ensuring that the assistance monies that are expended are going where they are supposed to go. A very substantial portion of the assistance that we provided to Russia and the other states early on after 1991 was in the form of humanitarian assistance—food, medicines, and so forth. We make every effort to monitor very closely that that assistance arrived at the places it was meant to serve and that it was dispensed to the people who needed it.

There have been some allegations of diversion. We have, in every case, checked those out as thoroughly as possible. I have to say in all candor I don't believe we have uncovered by kind of serious infractions. There probably have been some; I would not deny that. I would also say, were we to find any, they would be addressed immediately.

Secondly, in sort of the second phase of our assistance program, we have not really been delivering actual cash. What we are, for the most part, engaged in, is provision of services and advice and know-how. It is not the kind of thing that is easily diverted, frankly. It is addressed to needs and programs that we work out carefully with the states who receive it. What it really comes down to, in general, in a very physical sense is that Americans or other experts hired with our funds go and work with and alongside counterparts; they provide whatever know-how, expertise they can, and then they leave. It is not the kind of thing where someone is giving out sums of money.

We are going to engage in a different kind of program, or it is in the works. This is the creation of Enterprise Funds. Those funds will in fact provide capital and are designed to provide capital for

projects that are either involved in restructuring existing industries or allowing people to create new opportunities.

We will do our absolute best, I can assure you, to ensure that that money goes to the functions it is meant to serve and that it is monitored in the process of its expenditure. In short, I think you can say to your constituents that the chance of diversion of funds to wrong purposes is simply not a serious issue in this program.

Now, there is another aspect, and it is the one to which the Chairman alluded, which I think is a different problem and it is a serious problem. I think all of us want the funds that have been appropriated by the Congress to have effect.

They do not have effect if we move them around in accounting ledgers in Washington. They have effect when they get spent and expended on the ground. And I do not disagree that we should do better; we need to do better getting that money put to work.

Mr. HASTINGS. Thank you. Just a final question with the permission of the Chair.

INTERAGENCY TASK FORCE ON CRIME

Can you give us the status of the interagency task force's work, the one on crime, that you indicated that you were going to establish, such as who is in charge of the working group? Have they met? What is the relationship between the working group and the administration, Justice programs?

I know the Director of the FBI recently went to Russia, and sometimes our reports that we get are really from the news and we do see a lot of problems having to do with crime. I am just curious, Mr. Ambassador, as to where we stand with reference to the interagency group that you established.

Mr. COLLINS. First of all, yes, it has met. It has met half a dozen times, either as a full body or as a working group that has been developing options for possible programs to address this issue.

If I might, let me just say a word or two about what I think we have tried to do to address this in the context of that working group.

The first thing we have done, which may sound simple-minded but I think is important, is that first we recognize this is a problem. We have pulled together I believe now all of the agencies of this government that are in one way or another active in addressing this issue or should be.

Secondly, we have identified those programs that are already addressing aspects of this problem that have been brought to our attention or which, frankly, you have seen in testimony and which have been brought to the attention of the Congress in testimony by our intelligence community and others.

That has ranged from sort of a census of what is being done under Nunn-Lugar programs, for instance, to increase the security of nuclear materials across the board—and there are several programs—to what is being done by our law enforcement agencies already with their counterparts in these other states, which is also not insubstantial.

We have looked also at what we are doing with Freedom Support Act funds to promote rule of law and what other options we should be considering. That has been the work of this group.

We have been involved also in getting Mr. Freeh and his delegation ready to go. We are waiting for them to come back. They are, in fact, in large part there to assess what would be logical for us to try to do. When they return, we will be looking further at exactly what their recommendations are.

Mr. HASTINGS. Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. Goodling?

Mr. GOODLING. No, thank you, Mr. Chairman.

GENERAL CONDITIONS IN RUSSIA

Chairman HAMILTON. Mr. Ambassador, I want to get your sense of how things are going in Russia and what is the same and what is different with regard to Russia. My general sense is, as you alluded to in your opening statement, that the dire predictions or comments made earlier this year about Russia have not come true, that things have looked up a little bit; but give me your sense of the trend line in Russia with regard to both political and economic matters.

Mr. COLLINS. Let me take the economic first, because in some sense I think it is sort of more manageable.

It seems to me that there have been some very encouraging signs. There are plenty of worrisome problems that do remain. The encouraging ones, I think, are two:

First, that the Prime Minister and this government have both created a budget and got it passed through the legislature which means a degree of cooperation at least on that part that our experts assess to be one which should allow inflation to remain under control, if it is observed, and points to progress toward meeting the kinds of requirements that will permit IMF and other international institutions to work through agreements with the Russian Government. In short, there seems to be a political will present to maintain the kind of fiscal and budgetary responsibility that is going to be essential if they are going to keep the macroeconomic stabilization program anywhere near on course.

Chairman HAMILTON. Do you feel better about it today than you did 5 or 6 months ago?

Mr. COLLINS. I think most people in this town feel much better about it.

Chairman HAMILTON. How about you?

Mr. COLLINS. I personally was not all that alarmist in January, so I am sort of where I was then. I have always tended to be less Armageddon-prone than I think many of our commentators.

Chairman HAMILTON. Do you feel like progress has been made on the economic side in the last few months?

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. That is significant?

Mr. COLLINS. I do. I think two things: the inflation rate and the fact the Duma, the legislature, and the executive passed a budget which in a sense codifies a determination to stick with that policy.

I have a lot of problems with the budget. You will hear a lot about that. I think nevertheless, the basic point is there.

The worrisome part is really that the restructuring program to sort of take the next set of steps is going to certainly create greater unemployment; it is going to begin to bite when it comes to the

vested interests of many different people and organizations, and that is going to cause greater tensions in the economy.

I think we are going to see greater unemployment. People say it is about 6 percent now. That does not sound all that high by European standards, but in Russian terms, it is a serious problem.

Chairman HAMILTON. On the political side?

Mr. COLLINS. On the political side, I think there is essentially a good story also. A lot of the predictions about the fact that the forces that provisions were made for in October were going to get right back at it after a quiet period, simply have not really proved out. What I get are complaints from some of my political reporting officers in Moscow that things are rather boring. In fact, the principal achievement I think of President Yeltsin in this period has been to shift, if you will, the burden of responsibility in the political world to those who are opposing sort of agreement and compromise.

Chairman HAMILTON. Would you call Russia a democratic country today?

Mr. COLLINS. It is a country that is emerging as a democratic country. The institutions are early.

WHO IS RUNNING THE COUNTRY

Chairman HAMILTON. We had the Prime Minister here last week. Is he running the country?

Mr. COLLINS. No, sir, I believe President Yeltsin runs the country. I think Prime Minister Chernomyrdin runs the government, but with particular concern for the economic and social restructuring aspects.

Chairman HAMILTON. Are most day-to-day decisions now management decisions being made by the Prime Minister?

Mr. COLLINS. Aspects of government which have, if you will, an economic thrust, I think so. On issues of national security, I think President Yeltsin retains the lead.

Chairman HAMILTON. Do you anticipate that Russia will continue to move toward democratic government peacefully?

Mr. COLLINS. I cannot, of course, give you any guarantees, but I do not see the kinds of elements in the society right now that would lead me to say we ought to get ready for conflict, serious conflict.

SOCIAL EXPLOSION IN RUSSIA

Chairman HAMILTON. Some of our editorials recently have written about an explosive brew, a social explosion in Russia. You referred to some of the reasons they might think that. Do you think that that is likely?

Mr. COLLINS. Personally, I think it is less likely than that we are going to have a sort of measured development and messy process to produce new institutions that, I believe, have a strong chance of being democratic.

I would say to you in general that I got very used to the 90-day Armageddon scenario. Everybody would tell us that it is not too bad today, but just wait 90 days. I don't see the indicators of that. In fact, one of the interesting things that in the political world seems to be most important is that people are essentially accepting

the constitutional structure. They are preparing themselves for elections in 1996.

You know, this is a world of realpolitik. It strikes me that they are doing it politically and not on the streets.

HEALTH OF PRESIDENT YELTSIN

Chairman HAMILTON. Your view is that President Yeltsin today is very much in charge in Russia?

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. And are you concerned at all about the persistent rumors on his health?

Mr. COLLINS. Well, I personally, to the extent I have watched him and seen him, can only say that he shows up vigorous and in charge when he meets with our people and with other leaders.

Chairman HAMILTON. Well, I understand—

Mr. COLLINS. I understand your question, but—

Chairman HAMILTON. But, you know, it is one thing to be up for a given meeting or development; it is another thing to be a sustaining leader day after day after day.

Is it your impression that Yeltsin's health is a handicap to his sustaining day-to-day leadership in the country?

Mr. COLLINS. I do not see his health, myself, as a hindrance to the leadership that he provides.

Chairman HAMILTON. Do you discount the rumors about his health.

Mr. COLLINS. I discount a great part of them.

Chairman HAMILTON. Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman. I have four questions wrapped up in one.

Mr. COLLINS. Yes, sir.

RUSSIAN TROOPS IN OTHER NIS COUNTRIES

Mr. GOODLING. It is my understanding that countries like Belarus and Georgia are being persuaded to have Russian forces based on their territory and sometimes there is a lot of pressure from Russia to have them there. Also, I understand they are asked to pay for these Russian troops and bases that are on their soil.

If that is true, then my question would be, how can countries such as that afford to do that?

Secondly, I would ask how Russia can afford to do that, and is there any possibility that there is—whether they are substituting what they would have to spend to do that because of the funds they are receiving from the United States? In other words, is this a possibility that we are somehow or the other subsidizing something that I suppose we do not agree with? At least I do not; I am presuming the government does not.

Those are four questions wrapped up in one.

Mr. COLLINS. Let me start by, I think, sort of stating where our government stands on this broad issue.

We have made a cardinal part of our policy that we support and want to promote the sovereignty and independence and integrity of each of these states. That is sort of a guiding principle.

Now, the issue of Russian forces outside Russia, which I think is really the core of the issue here, is a two-part one, in a sense,

as we find it today. First, there are any number of cases in which Russian forces are really old Soviet Army, Red Army forces left in these states when the states became independent; and the issue of their status and their withdrawal or the desire of some of the states to have some remain for a period is different from state to state.

I think certainly we know the position of the Baltic States. They want the Russian soldiers out as soon as possible, and we have worked very assiduously to promote that end. I think there is progress in that. I personally believe we will have the observance of the withdrawal agreement between Latvia and Russia, the forces out of Latvia by the end of August.

I am optimistic there will be an agreement with Estonia as well. In Moldova, you have a remnant of the Red Army, called the 14th Army, that is in—that is in that country. In a recent visit to Moldova—

Chairman HAMILTON. Let me interrupt just a moment, if the gentleman will yield. I wanted to pin down those numbers on the Baltics.

The Russians have 10,000 to 12,000 troops in Latvia today?

Mr. COLLINS. That is correct.

Chairman HAMILTON. You think they will be out by August 31?

Mr. COLLINS. We have every reason to believe so.

Chairman HAMILTON. There are 2,000 to 3,000 troops in Estonia also?

Mr. COLLINS. That is correct.

Chairman HAMILTON. When will they be out?

Mr. COLLINS. Well, we are certainly encouraging them to come to the agreement that will get them out by the end of August as well. In recent discussions with both governments, we have detected, I would say, the signs of flexibility and the elements there that should make an agreement possible. No guarantees. I think they can do that.

Chairman HAMILTON. You think Russia and Estonia will reach an agreement?

Mr. COLLINS. I am hopeful. We are certainly doing everything we can to encourage that.

Chairman HAMILTON. You think they will reach an agreement?

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. Excuse me, Mr. Goodling. Go ahead.

Mr. COLLINS. In Moldova, I asked about the 14th Army, which is a problem there—the Moldovans want that army to leave and they told me that they are persuaded that within a reasonable period of time that they will get a negotiated solution to that problem. I cannot second-guess them. I assume that they have reason to believe that that will move forward.

In the Caucasus, which I think is a much more complex area, it has been much more subject to concerns by this government. We have two different problems: One, there are substantial numbers of Russian forces that have been there really not introduced since 1991. They have just been there.

They were left in some cases—like in Georgia, it is clear that elements of that played a very unhelpful role in some of the developments in Georgia in the past couple of years. We have been con-

cerned about that and believe it needs to be addressed. At the same time, the forces in Armenia and Georgia, in some cases, are there with the agreement of the governments concerned.

We have made clear our position that we are not prepared to accept any kind of a permanent arrangement basing agreements that are arrived at through some sort of coercive means, but if they are arrived at freely, we believe it is the right of the states to make such agreements.

The second aspect is one which is a new element which is the question of a peacekeeping operation mounted by Russia and the so-called CIS in which they are dispatching a force to the border land between the region of Abkhazia and other parts of Georgia in agreement with Chairman Shevardnadze and in which they seek U.N. involvement.

We are looking at that issue carefully. We are trying to ensure that if there is U.N. involvement, it does not approve that presence unless and until it is proven that it will be a responsible peacekeeping force; and we are trying to work through a resolution which will provide for effective U.N. observation of the activities of that force.

Chairman HAMILTON. Will the gentleman yield again?

Mr. GOODLING. Yes.

PEACEKEEPING FORCES IN GEORGIA

Chairman HAMILTON. Is it current administration policy to support the Russian peacekeeping efforts in Georgia?

Mr. COLLINS. Our policy is to understand and take note of the agreement between the Government of Georgia and the Russian federation and CIS to provide a peacekeeping force.

Chairman HAMILTON. What does that mean?

Mr. COLLINS. We are not going to approve it; we do not support approval of it. What we are trying to do is respond to Chairman Shevardnadze and the Russian Government's request for U.N. observers.

Chairman HAMILTON. What is the status of sending a U.N. peacekeeping force?

Mr. COLLINS. They are working—well, there is a force there of very modest size. I think it is under 50.

Chairman HAMILTON. Well, they now deploy between 80 and 100, as I understand it. Are they going to deploy any more?

Mr. COLLINS. Well, I think, sir, they are working on a resolution to deploy between 80 and 100.

Chairman HAMILTON. Are we prepared to help share the financial burden of peacekeeping in Georgia?

Mr. COLLINS. We are at this time prepared to work on sharing the burden of the observation force. We have not—

Chairman HAMILTON. Financially?

Mr. COLLINS. Yes, for the observation force, but for the peacekeeping force, we have made no such commitment. It is not a U.N. force.

Chairman HAMILTON. I understand. We are not prepared to send any troops ourselves. We do not want the Russians to send any. We would like the United Nations to do it.

The United Nations cannot get their act together yet. So there is kind of a vacuum there, right?

Mr. COLLINS. There is. Frankly, given the agreement between Chairman Shevardnadze and President Yeltsin and the CIS about the dispatch of a Russian-CIS peacekeeping force, that is going to be a fact. It is taking place.

Chairman HAMILTON. Yes. How many Russian troops will be going down there?

Mr. COLLINS. Well, we are told it will be between 2,500 and 3,000. The beginnings of that deployment are already under way.

Chairman HAMILTON. I thank the gentleman for yielding. I wanted to try to pin that down.

Go ahead, Mr. Goodling.

Mr. GOODLING. I have to go over with the First Amendment on the floor. Yesterday, I couldn't stay very long at the meeting they had where they had the Russian and Ukrainian legislators there. But the little bit of time I was there, I got the distinct impression from the Russian spokesman at the time that he was a very cocky individual and was not that much interested in what the outside world thought about their relationship with the surrounding states. That was the impression I got.

Maybe I wasn't there long enough. That is the impression I got.

Mr. COLLINS. There are certainly such spokesmen. I would not try to disabuse you of that idea. There are plenty who hold that view.

Mr. GOODLING. Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. Gilman?

Mr. GILMAN. Thank you, Mr. Chairman. I want to welcome Mr. Collins.

I would like to make a few initial comments. If we do not deliver the aid we promised to people going through desperate times, certainly it makes us look like hypocrites to them, if not worse, and that we are supporting Vladimir Zhirinovsky.

ORGANIZED CRIME IN RUSSIA

Finally, you have to get rolling on helping these governments fight crime. We had a number of hearings in the last few days about the extensiveness of the crime and corruption in Russia; and I think it is so important to get their court systems up and running with our assistance and get training programs together to teach proper investigative techniques to the law enforcement agencies.

I am pleased that our FBI Director is now over in Russia taking a look at what we can do on some joint programs.

It is important, too, that we address the tremendous problem of the growth of organized crime in the countries of Eastern Europe before it costs us a high and painful price, not only in the street crime, but in drug addiction, terrorism and some of the other things that go with those.

CITIES EAGER TO PARTICIPATE IN REFORM PROGRAMS

Mr. GILMAN. I would like to ask Mr. Collins, which regions or cities within Russia do you believe are the most willing or eager to participate in reform programs?

Mr. COLLINS. You mean broadly speaking, sir?

Mr. GILMAN. Yes, and which regions or cities in the Ukraine are willing to participate in reform programs even if the central government fails to undertake some meaningful reforms?

Mr. COLLINS. I think, if I may, I am going to have to defer on your inquiry. I will get back to you on that. I am not sure I can give you a good answer simply from my own personal knowledge.

[The information referred to was subsequently supplied for the hearing record and follows:]

Local authorities, frustrated by Kiev's reluctance to implement national reform policies, have in many instances taken the initiative in adopting reform measures. In most cases, local reforms have received little or no support from Kiev. regional and city governments generally are very involved in small business activities, particularly in such oblasts as Odesa, Mykolayiv, and Zaporizhzhia. Small business and other entrepreneurial activities are particularly evident in Odesa. Land lease and housing reform is well underway in Kharkiv oblast as well and city projects involving municipal finance reform are underway in Lviv, Ternopil and Kharkiv.

In many ways, reform efforts underway in Kharkiv compare favorably with the kind of sweeping reform measures underway in Nizhniy Novgorod in Russia, with the important exception that Kharkiv reformers are given little support from the center. Besides the local and regional projects underway there, many U.S. and international reform-oriented assistance projects have taken root there.

Projects that have a people-to-people content, and, in particular, projects involving housing reform are most successful in Ukraine. The Eurasia Foundation has many successful local projects throughout Ukraine. Another locally oriented reform effort under the Farmer-to-Farmer Program has already been responsible for inspiring the formation of strong regional farmers' associations, particularly in such oblasts as Luhansk.

NOTE: The question pertaining to areas of reform in Russia was answered verbally by Mr. Collins during the hearing (see answer below).

Mr. COLLINS. But in Russia, where I have a better sense for it, it seems to me that the cities of Moscow and Petersburg certainly are prepared to—and are engaged—in broad economic change. I am impressed with some of the cities of the Far East such as Kabaros and Vladivostok and also, of course, there is the example of Nizhniy Novgorod which has been a leading region, almost a pilot project for economic transformation and reform over the last 2 years. I think those are leading examples.

There are other areas that are involved certainly in elements of reform on the lower Volga, for instance. I think our Peace Corps people have found, in a sense, a patchwork. It is difficult to say a region as a whole is one. What we are trying to do with our assistance program, though, is look exactly at that question and come up with what we believe to be the best geographic areas where we can focus the assistance program of the future and try to produce, in a sense, model areas of success.

Mr. GILMAN. Mr. Collins, could you specify for us—if not today, in the next few days—some areas in the Ukraine where we are working on measures? It would be helpful to us to have that information.

Mr. COLLINS. I will do that. I will also do it, if I may, for other countries where we think it would be appropriate.

[The information referred to was subsequently supplied as supplemental question No. 1 for the hearing record and appears in the appendix.]

Mr. GILMAN. Mr. Chairman, if that could be made part of the record?

Chairman HAMILTON. Without objection.

BELARUS PRESIDENTIAL ELECTIONS

Mr. GILMAN. In the first round of the Belarus Presidential elections, a reactionary man known as "the Belarus Zhirinovsky," Alexander Lukashenko, swamped the other candidates. Should Lukashenko win the presidency and attempt to bring Belarus under Russian domination, reunify it with Russia, what should be our position?

Do we have any plan with regard to that? What have we done in recent months to help support those concerned with Belarussian sovereignty, such as the former Chairman of the Parliament, Stanislav Shushkevich, to gain fair and equitable treatment from the government and access to state-run media and other areas in the course of the Presidential campaign? Have we really done anything in that direction?

Mr. COLLINS. Well, let me say that I suppose there is good news and bad news in the Belarus election in some sense. On the one hand, I think we discussed earlier some serious concerns about whether it would be rigged or managed by the incumbent and that it wouldn't be an election and so on and so forth. I think the outcome pretty well indicates that the election, whatever its shortcomings, was not one that was controlled by the authorities in power.

With respect to the policies that President-elect, assuming Mr. Lukashenko wins—and there will be a runoff; this is not a final result yet—pursues—I think we first of all have to respect the results of an election and look at the policies he will pursue.

Now, that said, we have made it clear from the outset that we want to support an independent sovereign Belarus, but if the population of that state and the voters of that state choose another direction, I am not sure that we are in a position to stand in the way. We have a very limited ability to provide reform supported in Belarus because, frankly, the authorities have not been supportive of reform.

We have provided some humanitarian aid, we are providing or are working on some assistance under the Nunn-Lugar program that addresses the denuclearization of the country, but there has been no effective economic reform program in Belarus up to this time. I am not sure I can give you a better answer.

I think I would only say we probably should wait and see whether it is fair to characterize either Mr. Lukashenko or any other President as another Zhirinovsky. We do not fully know what kind of policies Mr. Lukashenko will pursue, to be quite honest. There is a lot of speculation, but I think we will be watching it carefully.

What we want is an independent Belarus, and what we support.

EXPANDING RUSSIAN INFLUENCE IN NIS STATES

Mr. GILMAN. Ambassador Collins, when we met with Russian and Ukrainian parliamentarians yesterday, I noted the growing sphere of influence by Russia and also talked about the military intervention in some of the neighboring states. The response on the intervention was, well, we have been invited to come into those states; we didn't go in voluntarily.

Of course, we have heard reports that pressures were placed on some of the neighboring states to take the Russian military and to subsidize them while they are there in places like Georgia, Moldova, Armenia, to mention just a few. What are your thoughts about the expanding Russian sphere of influence?

They deny that, of course, and said there is truly no basis for it. Mr. COLLINS. We were talking about this a bit earlier with Mr. Goodling.

First of all, there are two different issues. One is that there are forces that are left there from the old Red Army and that we have certainly seen in many cases causing problems. We know that in many cases the states want them out. We have supported them in that, such as in Moldova.

I noted though in the case of Moldova, when I discussed it with President Snegur and his parliamentarians and so forth, they were reasonably optimistic that a negotiation will take place which will lead to the withdrawal of the 14th Army in a manner that is not disruptive of Moldovan sovereignty. I cannot say why they believe that except that they believe that it will happen.

I asked one very specific question of them. That was whether they had ever been asked for basing rights. I was told no.

Now, we are working in Moldova, anywhere else it is appropriate, where the government's concern is to have Russian forces to withdraw, to assist these states in making that happen. With respect to Georgia and Armenia, Tajikistan, the fact is that these—most of these soldiers were not introduced by the Russian federation. They were left there after the breakup of the Soviet Union. The question is whether or not they will leave, and if so, under what conditions; and whether or not the States concerned push them to leave.

Now, I must say that in the case of Georgia, you know, the positions of the government over time have not always been clear with this—with respect to this. Sometimes they have asked Russian support and other times they have sought Russian departure. It is certainly clear that in Abkhazia last year the Russian local military units in that region played an unhelpful role in the fighting.

On the other hand, at this point, Chairman Shevardnadze told me that with respect to a peacekeeping force that will assist him in getting refugees back to Abkhazia and their homes, he would prefer a full-fledged U.N. peacekeeping force, but the U.N. is unable to come to agreement on producing such a force; and in that reality, he has reached agreement with President Yeltsin and the CIS leadership to provide a regional peacekeeping force which, for the moment at least, is Russian.

We are working, as I noted earlier, to try to ensure that the U.N. observer force, UNOMIG, is beefed up and can be an effective observer and monitor of what is happening in that area. That also is in line with Chairman Shevardnadze's request.

We will pursue that option. We continue to stand ready to work to have a U.N. peacekeeping force there if the conditions could be met to permit such a force, but that just has not been the case up till now.

Mr. GILMAN. Would you respond to my inquiry about the growing Russian sphere of influence? Is that a pointed policy by the admin-

istration? Are they seeking to expand their sphere of influence among the states, the neighboring states?

Mr. COLLINS. First of all, let me say if by "sphere of influence" we mean an area in which Russia has sort of exclusive rights that do not belong to others, it is something that we are not prepared to accept, and we made that very clear. You know, this is—if this is a policy of the Russian federation, it is going to become an issue between us.

I think then in looking at what is the reality on the ground, one has to say that there certainly is a very mixed picture about events. One can interpret them differently, and I think they are open to different interpretations.

On the one hand, if you will, the net military presence of the Russian federation outside its borders over the last 2 years has declined. I think it is also true that the net migration of population, if you will, of Russians or others from the areas outside Russia has been to go back to Russia.

Chairman HAMILTON. Will the gentleman yield?

Mr. GILMAN. I will be pleased to yield to the Chairman.

Chairman HAMILTON. I think Mr. Gilman is pursuing an important point here. I have been told that 2½ years now after the dissolution of the Soviet Union, Russia has Russian troops in 13 of the 15 former Republics of that country. They do not have troops in Lithuania; they do not have troops in Azerbaijan, and they are trying to get back into Azerbaijan.

Mr. COLLINS. That is correct. Now, you know, we are—as I tried to suggest, these are for the most part troops that are left there. To the extent states have made it very clear that they want troops out—

Chairman HAMILTON. What do we say—well, some of those states have requested the Russians to come in; right?

Mr. COLLINS. Two have.

Chairman HAMILTON. Well, what I am interested in—if the gentleman will continue to yield—

Mr. GILMAN. I am pleased to yield.

Chairman HAMILTON. What is U.S. policy on Russian troops in all of these Republics?

Mr. COLLINS. Well, our basic policy is the following:

If the governments of these individual states, as sovereign governments, wish the forces, troops of the Russian federation to leave their territory, then that is their right and it should take place.

We will do what we can—

Chairman HAMILTON. How many of these countries then want the Russians out?

Mr. COLLINS. Well, we certainly know clearly that Estonia, Latvia, Moldova have been unambiguous. Azerbaijan has said it does not wish to have Russian troops in its country. And—

Chairman HAMILTON. So we support each of those countries in trying to get Russian troops out?

Mr. COLLINS. That is correct.

Chairman HAMILTON. And with regard to other countries?

Mr. COLLINS. Well, with regard to the other countries, we take the position that if they reach agreements with the Russian federation or the CIS that are freely arrived at, that is their right. At the

same time, we would not look favorably on and we think it would be a problem if agreements were reached under coercion or in a manner that did not reflect the free will of sovereign governments.

Chairman HAMILTON. So if the country is requesting Russian troops there, it is OK with us; if the country is not requesting Russian troops there, we want the Russian troops out. Is that the policy?

Mr. COLLINS. That is correct. If they are freely requesting them, sir.

Chairman HAMILTON. OK. Thank you, Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. Along those lines, we heard reports Russia pressured some of these nations to invite them back in. Is there any basis for that?

Mr. COLLINS. I don't think there is a basis that is unambiguous.

As I said, you know, there certainly have been unhelpful activities by elements of these forces over time in some of these cases; they have complicated the situation. But I think the fundamental point is in some of the cases we are talking about, we are dealing here with civil wars and ethnic conflict. As long as those go on and threaten the unity and sovereignty and viability of these states, outsiders will have the ability to meddle.

That is why we have been doing what we can to negotiate an end to these conflicts because they are a threat to the sovereignty and independence of these states.

CREATION OF RUSSIAN CONFEDERATION

Mr. GILMAN. What about the statement made by Vladimir Shumeiko, Chairman of the upper house of the Parliament, as well as a CIS interparliamentary assembly, who recently spoke of the possibility of creating a confederation among the states of the former Soviet Union? Is there a strong feeling in Russia to move in that direction?

Mr. COLLINS. I think there is a range of opinion across the political spectrum in Russia that runs from wanting to restore the former Soviet Union—and there are some that want to do that—over to those who really want no part of any kind of formal relationship with their former neighbors, whom they consider to have been just a drain on their economy.

I think the Russian Government's position today is quite clear: they have recognized and they support the independence of the new states. At the same time, they are also working to promote certain aspects of integration. They have created these institutions and are working on them to give meaning to the so-called Confederation of Independent States.

There is certainly a strong sentiment to revive the economic ties that were previously there that many see as disruptive of the economies of all the states.

I think, however, our point on this remains that whatever arrangements may emerge amongst the New Independent States should be consistent with the basic principle of their sovereignty and independence; should be consistent, if it is in the economic sphere, for instance, with the kinds of arrangements that are supported by organizations such as the GATT and market economic trading arrangements; most importantly, that whatever arrange-

ments are arrived at are come to freely with an understanding that the states exercise their sovereign right to make decisions on their own in terms of what is best for their societies.

ANTI-SEMITISM AND MINORITY RIGHTS

Mr. GILMAN. Turning to another issue, Mr. Collins, when you met with Russian officials, what level of commitment do you estimate the Russian Government has in combating anti-Semitism and some of the abuse of minority rights? Is there a stated commitment evidenced by their actions, or is it symbolic statements?

Mr. COLLINS. I think perhaps the strongest statement that we have achieved in a sense—and in a way it was historic—was the statement President Clinton and President Yeltsin put out on human rights at the January summit. Where the President of the Russian federation put himself very clearly on record as—I don't know if opposing anti-Semitism is the right word, but simply not being prepared to countenance anti-Semitism.

I happen to believe that among the leaders of this government, the respect for human rights that they have sought to include in their constitution, that they have sought to build into the legal framework is a very, very significant part of their belief and their whole view about what a democracy is about.

I think you may know that Prime Minister Chernomyrdin, for instance, met with a group of Jewish leaders here recently; and I heard him say about that meeting—and then he also went to the Holocaust Museum, as you may know, and gave a very strong statement on Russian television after that. But I heard him say that he had been extremely moved by that, his visit, and he believed it was important that such a museum exist not just for leaders, but for the common citizen, the average citizen to see what the kind of intolerance that characterized the 1930's in Germany can produce.

Frankly, personally, I think it was a personal statement of faith.

Mr. GILMAN. Mr. Goodling had to go to the floor. He asked if I would ask this:

We all agree that what happens in Russia is probably the most important security issue to our own nation and that we should do what we can to ensure the successful transition of democracy and opening up of its markets. However, what are we doing to prepare in the event that reforms in Russia should fail and Russia moves on its weaker neighbors?

H.R. 4210

The Partnership for Peace plan didn't go as far as many would have liked it to. I have introduced a measure, H.R. 4210, which calls for membership in NATO for Poland, the Czech Republic, Slovakia and Hungary by 1999. Could you comment on that?

Mr. COLLINS. Yes. I think—first of all, let me make a fundamental point about the Partnership for Peace.

In some ways, this has been the classic half-full, half-empty glass sort of argument. It is no secret, many of the states you mentioned would like rapid membership in NATO. The partnership, however, was conceived, in essence, to provide a framework for the development of relationships between NATO and a variety of states that

were formerly outside NATO—certainly many were enemies—and to begin the kinds of development of cooperation and so forth that open the prospect of membership in NATO.

I think the second point is that the President has made clear, and the Secretary of State, that the question is not whether NATO will expand but when. So we do not see it as one of contradiction between Partnership for Peace and NATO membership. It is, in fact, a path that opens the option to membership.

The next point is that I think, were things to take a very different turn in Russia and move in the direction that we all hope certainly will be avoided, the Partnership for Peace or the arrangement between NATO and some of the states you have mentioned would be looked at very carefully in terms of what would best serve the security interests of the alliance and the people who might come under some form of renewed threat.

I cannot speculate exactly what would happen, you know, in that event, but it seems to me if we have established patterns of cooperation with these countries and the beginnings of a different kind of relationship between them in NATO, it is something to build on if the world takes a turn in a direction that we very much hope it will not.

[A copy of H.R. 4210 appears in the appendix.]

DESTRUCTION OF GEORGIA'S RAIL SYSTEM

Mr. GILMAN. Just one last question, Mr. Collins.

How much of Georgia's rail communications system was actually destroyed by the Russian military in the name of protecting the Shevardnadze government against a rebellion in western Georgia earlier this year? We heard reports the Russian military destroyed much of the system to better ensure Georgia's dependent status on Russia. Can you comment on that?

Mr. COLLINS. Look, that is one I will undertake to get you an answer for. I am not aware that it suffered destruction to the point it is not working. It works on and off. There are still security problems along that railroad, but it is still a functioning rail line.

I will simply give you a report on what we know about that, if I may.

Mr. GILMAN. We would welcome that.

Mr. Chairman, I would like to request that report be made part of the record.

Mr. GILMAN. I thank you, Mr. Chairman, for your patience. I yield back the balance of my time.

[The information referred to was subsequently supplied for the hearing record and follows:]

The Georgian rail system suffers from bandit attacks, reported power shortages and structural deficiencies which on occasion disrupt the free flow of traffic. The fighting may have also disrupted the rail system in that region. We have no information, however, whether any Russian military activity in Georgia has directly or indirectly damaged the system.

U.S.-RUSSIAN RELATIONS

Chairman HAMILTON. Mr. Ambassador, let's go to the foreign policy area a little more.

When you were here before, you described the U.S.-Russia relationship as a maturing partnership. You rejected specifically other characterizations—allies, enemies, rivals and so forth. Do you still stay with that maturing partnership description as your general characterization of the relationship?

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. How about North Korea? Are we getting any help out of Russia on North Korea?

Mr. COLLINS. I think the answer is yes. We, I think, clearly share with Russia the desire to see no emergence of another nuclear power or a nuclear power on the Korean Peninsula.

Chairman HAMILTON. Are they cooperating with us on the sanctions?

Mr. COLLINS. Yes, sir. The last discussions we had on that subject were in Brussels where Secretary Christopher met with Mr. Kozyrev. They had extensive discussions of what the elements of a resolution about sanctions and an international conference would be, and I would say there were no real serious differences that divided us at the end of that conversation.

Now, in a sense, 3 hours later as we were on the airplane, the next stage in that took a different turn when Korea sent its letter to Mr. Gallucci.

Chairman HAMILTON. What happened to their proposal on an international conference?

Mr. COLLINS. We have agreed that this would be a part of a U.N. resolution on that subject.

Chairman HAMILTON. So there will be an international conference?

Mr. COLLINS. Here you get a bit beyond what I can speak authoritatively to. This is to be negotiated out exactly in terms of what the provisions of the resolution will be by our representatives in New York. But the essential idea that a resolution would include sanctions and an international conference—provision for an international conference was agreed.

SUMMIT BETWEEN PRESIDENTS CLINTON-YELTSIN

Chairman HAMILTON. All right. The administration has announced plans for a summit between President Clinton and President Yeltsin. What will be the focus of that summit?

Mr. COLLINS. First of all, I have to say that we are looking forward first to the bilateral meeting the President and President Yeltsin will have in Naples. They are going to discuss what they want the focus of the fall summit to be, in that meeting.

Chairman HAMILTON. Why are we having a summit anyway?

Mr. COLLINS. Well, I think the—first of all, it will be a state visit. It will be the state visit of President Yeltsin to Washington on the occasion of the visit by President Clinton. I think the reason we are having the summit is that a pattern of consultations and discussions between our two heads of state has become something now of a regular and normal thing, and the agenda really is the agenda of the partnership.

It will certainly include the economic—other aspects of our relationship. It will, I am sure, discuss foreign policy issues, including security issues.

It is not, I would say, a summit with a single purpose. It is, frankly, an opportunity to continue the pattern of consultations that—at the highest level.

PARTNERSHIP FOR PEACE

Chairman HAMILTON. OK. Let's go into this NATO relationship a little bit.

The Russians signed the Partnership for Peace agreement with NATO on June 22. We are treating Russia just like any other country in Eastern Europe with respect to Partnership for Peace?

Mr. COLLINS. That is correct.

Chairman HAMILTON. Is that correct?

Mr. COLLINS. That is correct.

Chairman HAMILTON. We do not draw distinctions between the countries Mr. Gilman was referring to a moment ago and Russia?

Mr. COLLINS. Minister Kozyrev signed exactly the same document as all the other partners signed. Russia will be a partner in the Partnership for Peace on the same basis as each of the others.

Chairman HAMILTON. And we look forward to the integration of Russia into Europe?

Mr. COLLINS. Well, we believe Russia is a state which plays a role in Europe. We believe—

Chairman HAMILTON. They also signed a Partnership of Cooperation agreement with the European Union?

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. They are clearly moving, in connection with these two agreements, in coordination with Europe both in an economic and security sense, right?

Mr. COLLINS. I think that that is correct.

Chairman HAMILTON. Yes. Now Russia has had a very strange attitude toward this Partnership for Peace, it seems to me. In the last few months, they have changed their tone, haven't they, with regard to the Partnership for Peace?

Mr. COLLINS. Yes. The process of joining or coming to the final decision to sign the Partnership for Peace was one which had to play through a political process in Russia, which addressed a lot of the critics of that step and in a sense built support for the action. I think the key point is that in the end they signed.

Chairman HAMILTON. Throughout the discussion here, they wanted a special relationship with NATO. Did they get it?

Mr. COLLINS. They did not get a special relationship in the Partnership for Peace.

In addition, what was discussed with the North Atlantic Council permanent representatives was the fact that Russia would also have discussions with NATO about such things as nuclear matters which make them unique, and other issues of mutual concern. But I would point out that that offer is equally on the table to other states.

Chairman HAMILTON. They didn't get a special relationship, but that communicate that was issued said that Russia was more than a regular partner? So what is that if not a special deal?

Mr. COLLINS. Well, there really were two aspects to Russia's relationship with NATO. The Partnership for Peace which, as I say, they signed in no different way from any others. At the same time,

NATO acknowledged that there are elements of policy and issues which they are going to want to discuss with Russia and consult with Russia, and that that is going to be different for Russia than it will be for many others.

But I would make the point that such relationships may exist with many of the other states as well, if they so choose.

Chairman HAMILTON. What I am trying to understand is, they were seeking a special relationship. We said no to that?

Mr. COLLINS. That is correct.

Chairman HAMILTON. Then we agreed to a communique that called them more than a regular partner. I am trying to figure out what the difference is between calling them more than a regular partner and a special relationship or a—

Mr. COLLINS. Well, I think what was meant here is that the totality of the Russian relationship with NATO is not only in the Partnership for Peace, that there are aspects of security issues and so forth that they will wish to consult and discuss with NATO that are outside the Partnership for Peace.

The same, though, may be true for other states.

DEFENSE COOPERATION RELATIONSHIP

Chairman HAMILTON. Do we view our defense cooperation relationship with the states of Eastern Europe any differently at all from the way we view our defense cooperation relationship with Russia?

Mr. COLLINS. In the sense of the basics, I would say no. On the other hand, Russia is the other—is a major nuclear power. It has a huge military force. Its presence in the region means that some of the issues and some of the things on the agenda between us are certainly different from what they would be with some of the other states who do not have those attributes.

Chairman HAMILTON. So when you are talking about Russia as a nuclear power, then there is in fact a special relationship that exists between us and Russia?

Mr. COLLINS. There is a—I guess, although I want to avoid making this into something that sounds like a juridical status—clearly, we discuss the range of issues with Russia that we must address. That includes nuclear matters, the fact that they are a huge state with a very large military force.

Chairman HAMILTON. When we talk to the East Europeans who come in here, they want to be part of the Partnership for Peace because they are fearful of a Russian threat.

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. Do we agree with that assessment that they have?

Mr. COLLINS. We understand that history and the size of Russia and the forces that Russia possesses obviously create concerns that we understand in Eastern Europe.

Chairman HAMILTON. See, our vision of NATO under the Partnership for Peace is quite different than the vision of the Eastern Europeans. The Eastern Europeans look upon NATO as a security mechanism against Russian power and Russian aggression.

You are saying that we believe Russia is going to be integrated into Russia—into Europe; and that is a very different concept, isn't it?

Mr. COLLINS. I think it is. I think the President has made it clear that our view, what he hoped to see is a Europe that is undivided and where the states of Eastern Europe should not have to have those fears.

Chairman HAMILTON. So we basically do not agree with the Eastern Europeans on this point?

Mr. COLLINS. We believe that we can prudently pursue a policy that seeks the integration of Europe and an undivided Europe. At the same time, if the fears of Eastern Europe were to materialize, I think we have also seen the Partnership for Peace as opening the opportunity for a different kind of relationship, should that be necessary in the future.

Chairman HAMILTON. When we say Russia is more than a regular partner in that communique, what do we mean by that?

Mr. COLLINS. I think all it was meant to connote is that Russia, by its size, by virtue of its nuclear status and so forth is—has a different position among states simply in reality from many of the smaller states of the European Community. I don't think it means more than that. It is an effort to acknowledge a reality, in the sense that it will be important to—for NATO to discuss certain kinds of things with Russia which it would not necessarily want to discuss with others.

But I do want to come back to the point that we don't rule out, you know, if you will, the same kind of relationship appropriate to a Hungary or a Poland or a Kazakhstan should they wish to have consultations with NATO.

ROLE OF CSCE

Chairman HAMILTON. Let me ask you about Defense Minister Grachev's statement just a month ago where he was laying out a vision of Eurasian security order under the political and diplomatic order of the CSCE and not NATO. Where did that come from? What does that mean? He was talking about that a month ago.

Now they turn around and sign the Partnership for Peace a few days ago. Those things are just totally contradictory.

Mr. COLLINS. Well, I guess what I can say is that they have signed the Partnership for Peace. That is the official government information.

Chairman HAMILTON. Grachev didn't know what he was talking about?

Mr. COLLINS. I think what he reflected was another aspect of thinking in Russia which I have heard from many. That is CSCE, which is an all-inclusive organization for Europe and which has stood in the way to provide principles and standards of conduct by consensus as a basis on which the political structure for future security organizations perhaps should be based.

It is also a fact that the Russians see CSCE as something that they helped found. NATO was a Western institution.

Chairman HAMILTON. Are you telling me that Kravchuk's view and the Partnership for Peace signature that they put down the other day are consistent?

Mr. COLLINS. I do not think they see them as contradictory in terms of what they would believe——

Chairman HAMILTON. Do we see them as contradictory?

Mr. COLLINS. I think we do not see CSCE playing the same role as NATO's Partnership for Peace.

SCOPE OF PARTNERSHIP FOR PEACE

Chairman HAMILTON. Now under the Partnership for Peace, what kind of discussions will NATO have with Russia on European security issues?

Mr. COLLINS. Well, I think—first of all, it has been hypothetical to tell you, because the basis for the discussion will be the document Russia will submit that is called a presentation document. That will in some sense define their wishes for the scope of their activities and discussions under Partnership for Peace. They have not submitted that yet.

Chairman HAMILTON. When will you—what is a realistic timetable to think that Russia will come into Partnership for Peace, come into NATO?

Mr. COLLINS. Well, we really have not addressed that question. We are looking for them to be a full member of the Partnership for Peace and an active one. I think neither they nor we have set a time limit or really thought to try to set a time limit on——

Chairman HAMILTON. It is your expectation they will become a full partner in NATO?

Mr. COLLINS. It is our position that membership is not excluded for any member of the Partnership for Peace.

Chairman HAMILTON. And the expectation is, isn't it, that if they sign the Partnership for Peace, they eventually will become a full partner in NATO?

Mr. COLLINS. Not necessarily. I think it depends on their view of their future security and NATO's view.

Chairman HAMILTON. Why would they sign it if they didn't expect to become a partner in NATO?

Mr. COLLINS. Well, the partnership has elements and a program of cooperation that exist in and of themselves. It begins the pattern of defense cooperation, joint planning for a variety of kinds of exercises and so forth that really stands on its own.

Chairman HAMILTON. Are we going to be having joint military exercises with the Russians?

Mr. COLLINS. There is one planned for the fall that I believe is going to take place in September in Russia, yes, sir. That is a bilateral exercise.

Chairman HAMILTON. Would you anticipate the countries of Eastern Europe will become full partners in NATO before Russia?

Mr. COLLINS. Members, you mean?

Chairman HAMILTON. Yes, members.

Mr. COLLINS. Certainly that is the desire on the part of many in Eastern Europe. It is to move to membership as soon as possible.

Chairman HAMILTON. We favor that?

Mr. COLLINS. The alliance will consider that. Of course, it is not our unilateral decision. But we have made clear that we certainly do not rule out—indeed, we expect—the expansion of NATO.

Chairman HAMILTON. You said a moment ago, it is not a question of whether these countries come into NATO but when.

Mr. COLLINS. That is correct.

Chairman HAMILTON. Is that also true of the Russians?

Mr. COLLINS. That had to do, I believe, with the reference to the East European states.

Chairman HAMILTON. When the Eastern European states sign the Partnership for Peace, it is not a question of whether but when; but when Russia signs it, we don't know whether they will come in or not. Is that right?

Mr. COLLINS. Well, let me go back—

Chairman HAMILTON. But yet at the same time, they are more than a regular partner.

Mr. COLLINS. If I may, let me simply say what I—what we have been in a position to say up to now. We expect NATO to be expand the—

Chairman HAMILTON. To be what?

Mr. COLLINS. To be expanded. To expand.

Chairman HAMILTON. Yes.

Mr. COLLINS. To take in new members. We have not said which. We are not differentiating among states or making a prejudgment about which states that will be.

That, first of all, is not our decision. It is a decision of the alliance.

Secondly, joining Partnership for Peace opens the opportunity to become a member. It does not, however, mean that that is automatically going to happen, and it certainly places no sort of, if you will, time period on it one way or the other.

Chairman HAMILTON. Wait a minute. Isn't what you just said contrary to the statement you made about it is not a question of whether but when? If it is not a question of whether but when, they are going to be coming in?

Mr. COLLINS. The reference to—

Chairman HAMILTON. We already made up our mind? They are going to be coming in?

Mr. COLLINS. The reference to "not whether but when" was to the fact that NATO will expand. It was not meant to judge which states would come when.

Chairman HAMILTON. Is the "not whether but when" phrase a statement of President Clinton, or is that a statement of NATO?

Mr. COLLINS. I don't want to misquote the President.

Chairman HAMILTON. None of us want to misquote him.

Mr. COLLINS. I believe he said those words.

Chairman HAMILTON. I wondered if that is his spin on it or whether NATO said that. I don't recall NATO having said that.

Mr. COLLINS. I don't think NATO said it officially, but we have said it.

RUSSIAN COOPERATION ON BOSNIA

Chairman HAMILTON. OK. Now, we have had good cooperation with Russia. We are working together with respect to Bosnia at this point; is that correct?

Mr. COLLINS. I think that that is the judgment of the people who are working with the negotiations, yes, sir.

Chairman HAMILTON. Do we share the view of the Russian Foreign Minister who said that a unilateral lifting of the arms embargo could lead to the reemergence of the cold war?

Mr. COLLINS. Well, I will not necessarily characterize our belief as embracing all of that. We do believe that taking action to act unilaterally to lift the embargo is going to complicate seriously our efforts to negotiate the solution in Bosnia and does raise real questions about the kinds of effects it will have on our efforts to gain the cooperation of others in multilateral sanctions regimes.

Chairman HAMILTON. What is our assessment of the Russian response to a vote in both Houses of the U.S. Congress to lift the embargo unilaterally?

Mr. COLLINS. Well, I think it is difficult to say for sure, but what we have been told is that there would be an immediate move, at least in the Duma, to take reciprocal action with respect to Serbia by the Russian confederation.

Chairman HAMILTON. Have they already done that?

Mr. COLLINS. Yes. But it is not a law.

Chairman HAMILTON. They adopted a resolution?

Mr. COLLINS. They adopted a resolution, but I think it was not binding.

Chairman HAMILTON. What about the Russian executive apart from the Duma? How have they responded?

Mr. COLLINS. They certainly oppose taking that action. I quite honestly do not think I am in a position to speculate about exactly what they would do. They have been clear in their opposition, however, to our taking unilateral action.

SITUATION IN UKRAINE

Chairman HAMILTON. Let's go to Ukraine for a moment. That country, of course, is in a state of very great turmoil. Mr. Brzezinski writes in Foreign Affairs magazine this quarter that they are on the brink of disaster. Do you agree with that assessment?

Mr. COLLINS. We think that the economic situation in Ukraine is extremely serious. Unless there is a beginning of serious economic reform, we simply see no good outcome to further unwillingness to move in the direction of creating a market economy. That is going to lead, frankly, to continuing declines in production, rising unemployment, all of those things.

Chairman HAMILTON. Is that country on the brink of a breakup?

Mr. COLLINS. I think we would have to say that, with the possible exception of Crimea which has a particular set of circumstances, if you look at the objective sort of realities, it is difficult to find that that is anything that is imminent.

I would simply note, for instance, that everybody voted in this election. They presumably, by that fact, say that we continue to see ourselves as part of something called Ukraine.

Chairman HAMILTON. They are not making much progress on reform, are they?

Mr. COLLINS. No, they are not, sir, not economic reform.

Chairman HAMILTON. Our general approach to assistance has been that aid should follow reform?

Mr. COLLINS. That is correct.

Chairman HAMILTON. How much money are we providing to Ukraine this year?

Mr. COLLINS. Well, we have set aside money in two pieces that total \$700 million.

Chairman HAMILTON. That goes for what purpose, purposes?

Mr. COLLINS. Half of it, sir, is Nunn-Lugar funds, basically directed to supporting the removal of nuclear warheads and associated costs. That money is going to go forward. Again, I would submit it is not being disbursed as fast as we would like.

Chairman HAMILTON. How about the other half? What is it going for?

Mr. COLLINS. There is a portion that is humanitarian assistance. It is medical and so forth. That will go. It is approximately less than a third of the \$350 million. The remainder, two-thirds of it, is essentially stuck because it would be supporting such things as privatization programs, infrastructure for market economic systems; and quite honestly, unless and until the reforms that are required to make use of that money are put in place, it cannot be expended.

Chairman HAMILTON. Is Ukraine going to be on the G-7 summit agenda?

Mr. COLLINS. My understanding is, they are going to talk about it, sir, yes.

Chairman HAMILTON. What is our view as to what should emerge from that G-7 summit with respect to Ukraine?

Mr. COLLINS. Well, I think there are two issues on the agenda. I think we would hope that the leaders can make the kinds of statements or indications of commitment to Ukraine that if Ukraine, in fact, will take the necessary—the steps necessary for an effective program of economic reform that support for that program will be there.

There is another particular issue that I believe the G-7 are going to discuss, certainly the European Union has discussed it. That has to do with the future of nuclear power plants and particularly Chernobyl and what might we do to render them safe or safer.

Chairman HAMILTON. You are aware when Ukrainian officials come here, that one of the points they made to us is that they do not see any evidence at all of U.S. assistance. Now we both appreciate how difficult that circumstance is. Your tables show about \$37 million in bilateral U.S. assistance to Ukraine has been disbursed as of the end of 1993. As of the fall of last year, no funds at all have been expended in Ukraine for weapons dismantlement.

Those figures may not be quite up to date, but in any event, I guess you would agree that not much is happening on the ground that Ukrainian officials can see with respect to the U.S. assistance program?

Mr. COLLINS. I think it is fair to say that other than in the humanitarian area, not much has been dispensed. However, there is, I believe, a very serious and intense effort to move on the Nunn-Lugar funding in that, it was essential earlier—well, we achieved earlier this year and only earlier this year after the trilateral agreement some of the necessary agreements to permit the obligation of funds in that area. We simply could not do it before that.

Chairman HAMILTON. Are you satisfied with the pace of implementation with respect to that trilateral agreement?

Mr. COLLINS. Yes, sir. As far as we are aware, that agreement is being implemented scrupulously by both sides, and in fact, if anything, is being implemented ahead of schedule.

Chairman HAMILTON. That basically provides for the removal of nuclear weapons from Ukraine in exchange for certain economic and security arrangements; is that right?

Mr. COLLINS. And a tangible return as well in the form of nuclear fuel rods.

Chairman HAMILTON. On the Crimea, we have supported the territorial integrity of Ukraine within its present borders, correct?

Mr. COLLINS. Yes, sir.

Chairman HAMILTON. And what are we doing now, if anything, with respect to this Crimean dispute?

Mr. COLLINS. Well, first of all, we are and have repeatedly made clear that we want to see everything possible done to prevent this issue from somehow getting out of control. And we have made that clear in the context of ensuring that all parties concerned understand our position about where Crimea belongs in terms of the sovereignty and integrity of Ukraine.

We have essentially used diplomatic means to support reconciliation or negotiation of differences. I think we have done what we can to make clear to the leaderships in both Kiev and in Crimea that we believe it essential that they find a negotiated solution to their differences.

In sum, we are doing, I think, what we can to ensure that all concerned—including encouraging our European friends to make similar efforts—know that we want this issue to be resolved peacefully.

Chairman HAMILTON. But we do support the territorial integrity of Ukraine, and therefore, we do not support Crimean succession?

Mr. COLLINS. That is correct.

Chairman HAMILTON. What do you have to say about the election that took place in Ukraine? What is your assessment of that election?

Mr. COLLINS. Well, the latest figures we have as of this morning is that—well, it shows two things. One, it is a legitimate election. Something like 70 percent of the population or eligible voters voted; more than 50 percent had to to make it a valid election.

Chairman HAMILTON. Was it a fair election?

Mr. COLLINS. I think a reasonably fair election. We have not had great claims of irregularities.

Secondly, it is clear there will be a runoff for the presidency between President Kravchuk, who got about 37 percent of this vote and former Prime Minister Kuchma, who got about 31 percent.

I do not have a good crystal ball, to be frank. The runoff election must take place under their constitution before the 10th of July.

Chairman HAMILTON. Are you concerned about the impact on the reform effort and the ethnic tensions in the country?

Mr. COLLINS. Well, I think the key—let me take the latter first. I don't think we have any particular sense that the ethnic tensions will be greater or lesser from this election. I think what was impor-

tant is that, as I indicated, Ukrainians voted, which in some sense is a force for unity.

With respect to the reform program, I suppose it is fair to say that having a newly elected President with a new mandate should at least provide an opportunity for that new President to make some decisions, which have been very difficult up to now, in the absence of sort of—any kind of consensus.

Chairman HAMILTON. Do you think the Supreme Council there is going to be able to push ahead with reform? They have been blocking reform?

Mr. COLLINS. I am not at all certain that even getting a newly elected President is going to resolve basic political issues and questions of political will to move on reform.

NARGORNO-KARABAKH

Chairman HAMILTON. I wanted to cover just briefly, if I may, your assessment of the peace process for Nagorno-Karabakh.

Mr. COLLINS. Well, as you may know, I, with several colleagues, recently took a trip and had the chance to talk to the leaders in both Yerevan and Baku. I came away with a couple of basic impressions: first, that I think there is an opportunity at this time to end this conflict if the right formula can be found to do it.

I got the sense that the sides are exhausted, that they are both conscious of the fact that there seems to be no military solution to this, and that they are both simply losing by continuing the war.

Chairman HAMILTON. Is Armenia getting the upper hand militarily?

Mr. COLLINS. At this time, I think that that is very clear. There is no question. I mean, the real circumstance I think is that, should fighting resume, it is clear that Armenia probably at any time can grab some more territory or defeat another Azerbaijani force.

Chairman HAMILTON. The Russians want to put a peacekeeping force in there?

Mr. COLLINS. Well, the Russians' approach, which in part reflects what I heard from the Armenian side, is that the Armenian elements, if they are to move out of territories that they now hold, want some kind of security force between them and Azerbaijani side. The Azerbaijanis, on the other hand, have been quite adamant about not wanting to have any unilaterally dispatched Russian military force on their territory. That is one of the big sticking points.

What we have been promoting is an arrangement for—to deal with this issue that is under the Minsk group and CSCE that could provide for a monitoring force of perhaps sufficient size to address the issues or the security problem between the two sides in the context of withdrawals and the normalization.

Chairman HAMILTON. Force from where?

Mr. COLLINS. CSCE, provided by CSCE. It might well include Russians or other CIS, as well as outside—

Chairman HAMILTON. The CSCE has that capability?

Mr. COLLINS. It has been worked through and developed and it has been envisioned that they would provide monitors from the beginning, from the Minsk process 2 years ago. There is in place a

pretty good infrastructure to produce them if and when it becomes possible to use them.

REPEAL OF SECTION 907

Chairman HAMILTON. Now, in the rewrite of the foreign assistance bill that you sent up here, the administration repealed Section 907, the Freedom Support Act, that prohibits the United States from giving assistance to the Government of Azerbaijan. I think there is a Presidential finding that goes along with that. Why do you want to repeal section 907?

Mr. COLLINS. Well, first of all, it is my understanding that that particular provision came up as part of a more general package of legislation in the new act, which reflects, in general, a desire to avoid the kinds of specific legislation that 907 has represented.

I am really not the authority on the act, but let me address the act, 907, itself.

We have not favored this provision essentially because we believe it limits our ability to work effectively to encourage reform in Azerbaijan and is something that we would prefer not to have in legislation.

That said, we are abiding by it, and—

Chairman HAMILTON. Do you think it is possible to help Azerbaijan within the restrictions of section 907?

Mr. COLLINS. We have addressed some of the humanitarian problems in Azerbaijan through PVO's and other means that do not involve assistance to the Government of Azerbaijan. So we have been able to address some of the humanitarian needs.

Chairman HAMILTON. If, in fact, your recommendation is accepted and you repeal section 907, does that mean we will begin to implement a foreign assistance program in Azerbaijan?

Mr. COLLINS. I think we would again, within the sort of basic provisions of our policy, in which assistance should follow reform, we would, yes, like to try to go forward with projects that would support true reform.

QUESTIONS FOR THE RECORD

Chairman HAMILTON. I have questions from Mr. Gilman he wants me to submit.

[The questions submitted for the record appear in the appendix.]

Chairman HAMILTON. I indicated at the beginning of the hearing I wanted the answers to the questions we submitted previously. I hope you will be able to respond to these questions as well.

Mr. COLLINS. I will personally look after that.

Chairman HAMILTON. Mr. Gilman wants to insert his full statement in the record at an appropriate point.

[The prepared statement of Mr. Gilman appears in the appendix.]

GORE-CHERNOMYRDIN

I should probably ask you about the meeting Vice President Gore and Prime Minister Chernomyrdin had. I will make it general. They signed a number of different agreements as I recall.

Mr. COLLINS. Twenty-two of them.

Chairman HAMILTON. Quite a bunch of them. What is the significance of all of that? How are we to read this series of agreements?

Mr. COLLINS. I think, if I might I would go back to the idea of maturing partnership. I think the significance of these agreements and of the Gore-Chernomyrdin process really lies in the fact that it is a very important vehicle by which the relationships between our two governments are broadening and expanding through a much wider range of activities.

Now the Gore-Chernomyrdin commission was set up, as I think you know, following the instruction of President Yeltsin and President Clinton in Vancouver. It was to have had at its outset sort of a focus on cooperation in space and on the energy sector, trying to move ahead projects.

I think the results of these meetings showed that this commission is, in fact, addressing those issues very effectively.

Chairman HAMILTON. Why is it necessary to have a government-to-government agreement to permit the development of the oil fields, for example?

Mr. COLLINS. That was not a government-to-government agreement, sir. The agreement signed at the time of Gore-Chernomyrdin was signed as a private agreement between a consortium and the Government of Russia, I think the Ministry of Energy.

But the Gore-Chernomyrdin, if you will, process has meant—has been addressing issues that, frankly, simply stand in the way of getting business done, everything from taxes to working issues that are stuck in the bureaucracies, simply to try to give an impetus to move these kinds of important economic activities forward.

You know, I think you certainly are aware there seems to be nothing harder than getting sort of contracts signed and implemented if they are a large kind, like this one with the Russian federation. It is a painstaking process.

Chairman HAMILTON. Does this agreement now mean that the American oil companies, Marathon, McDermott, et cetera, can move into the Sakhalin Islands and begin with the production of oil?

Mr. COLLINS. I would have to give you for the record exactly where this stands. I am not an expert in oil contracting.

Chairman HAMILTON. What I am trying to figure out is what hurdles, if any, remain as part of this agreement?

Mr. COLLINS. I need to check with my specialists on that. All I can say is that I know this was considered, in a sense, the key step to move this process forward that has been awaited for a considerable time.

Chairman HAMILTON. So it is your impression then that after this agreement, the exploration of these oil fields and production of oil can move forward?

Mr. COLLINS. That is my impression, yes, sir. But I will supply, if I may, a specific answer for the record.

[The information referred to was subsequently supplied for the hearing record and follows:]

SAKHALIN II PROJECT

BACKGROUND

The Production Sharing Contract for the Sakhalin II Project was signed on June 22 in Washington, during the third session of the U.S.-Russian Joint Commission on Economic and Technological Cooperation. Vice President Gore and Prime Minister Chernomyrdin welcomed the signing in a joint statement.

The project, to product oil and gas from the Piltun-Ashtokhs koye and Luns koye fields on the shelf of Sakhalin Island, will be executed by russian companies and the Sakhalin Energy Investment Company (SEIC). SEIC consists of U.S. companies Marathon Oil and McDermott International and international companies Mitsui & Company, Ltd., Mitsubishi Corporation and Royal Dutch/Shell. The partner companies have been known as the MMMMS (or 4MS) consortium.

WHAT THE CONGRACT ACCOMPLISHES AND NEXT STEPS

The signing of this first production sharing agreement is considered to be a major accomplishment, achieved after almost 2 years of negotiation. It is expected to serve as a model for subsequent production sharing agreements.

Signing of the contract provides the consortium with the needed Russian executive branch (federal and local) approvals of the project. We understand that the MMMMS consortium also seeks prompt passage by the State Duma (the lower house of the Russian legislature) of a law authorizing Production Sharing Contract arrangements in Russia. The consortium does not plan on establishing a commencement date for the project until this legislation is in place.

The U.S. and Russian representatives in the Business Development Committee of the U.S.-Russian Joint Commission on Economic and Technological Cooperation have discussed the need for this legislation. The Russian Government has committed to submitting such a bill and working for its passage.

INDUSTRY CONTACTS

Marathon: Paul Freer (202) 783-6793.

McDermott: Bruce Hatton (202) 833-7045.

Chairman HAMILTON. I understand.

SPACE STATION

Mr. COLLINS. I might say, too, in the space area, we did move forward on the—on a variety of ways. Most specifically, the signing of the contract on the space station, again, it was, you know, the end of a complex negotiating process. Meetings of a commission by the Vice President, Prime Minister tend to provide the bureaucracy with a certain impetus to get things done.

Chairman HAMILTON. Of course, on that space station, that in effect is going to mean a \$400 million cash transfer to Russia, and that is the kind of assistance we have not been favoring with Russia; we have been favoring technical assistance more. It also is an assistance that keeps state-run enterprises going rather than the private sector.

Why is the assistance on the space station consistent with all of our emphasis on reform and privatization and noncash transfers, if you are doing all of those things under that agreement?

Mr. COLLINS. Well, I have to say that this is not really assistance. This is, I suppose—best characterized as procurement. We are getting goods and services over a period of a few years that will, if I understand correctly, the program, make it possible for us to have a space station at less cost and quicker than would have been the case otherwise. But I mean, it is my understanding that this is in no way represents, if you will, assistance in the sense of grant money going to Russian institutions without—

Chairman HAMILTON. The money is given to a state-run enterprise?

Mr. COLLINS. Yes, sir. It goes through the Russian space agency, but it is, in turn, to procure various items of equipment and services, some of which will come from privatized firms, others of which will come from government agencies.

Chairman HAMILTON. But is it our top priority to help the state-run enterprise as opposed to privatization?

Mr. COLLINS. I think our top priority in this particular case is to have a space station which will be done at a cheaper cost and more quickly by using what Russia can provide than would otherwise be the case.

Chairman HAMILTON. But it does run counter, doesn't it, to our emphasis on privatization?

Mr. COLLINS. I don't really think it runs counter to it in a basic sense. I mean, we are contracting with, yes, a Russian—a government agency; the people doing the contracting in a basic sense are NASA. But as with our side, so with theirs, an increasing number of the elements that will be involved in this are going to be privatized in private contractors.

Chairman HAMILTON. Let me put this to you in perspective.

ASSISTANCE FIGURES

I quoted the figure a little earlier that over a period of 1992, 1993, and 1994, we provided \$194 million to Russia in assistance. That is—excuse me, I want to be sure about this. \$194 million went to Russia; that is over 3 fiscal years. And you corrected or updated that figure with your statement, so it may be a few million dollars more by now.

This is a one-shot, \$400 million cash transfer; \$100 million a year.

Mr. COLLINS. Well, it is not \$400 million, as I understand it, in one transfer.

Chairman HAMILTON. I didn't say that. It is a \$400 million cash transfer, \$100 million each year.

Mr. COLLINS. It is—again, I can only say a contract which is meant to pay as deliverables are delivered.

I understand the point you are making; I would only again underline that this is not really an assistance program which is not to deal with the comparison.

Chairman HAMILTON. Well, look, the point simply is this: We have been struggling to kick out money under the regular aid program, and it has been going out rather slowly, by my figures—it may be a little higher now, but \$194 million to Russia over a 3-year period.

That is not a cash transfer, that money. That is technical assistance. That is on the one hand.

On the other hand, you have the space station over here, \$400 million hard cash to a state-run enterprise. Now all of this rhetoric you have given me today and in previous sessions about privatization it seems to me goes by the boards. That is not very accurate.

Mr. COLLINS. Respectfully, sir, I cannot really agree fully with that.

Chairman HAMILTON. Well, I would be a little surprised if you did.

Mr. COLLINS. The Russian space agency is an agency of the Russian federated government.

Chairman HAMILTON. It is a state-run enterprise. That is the very thing we have been trying to get away from in Russia.

Mr. COLLINS. Sir, it is not exactly an enterprise. It is not the one who produces the rockets or the space ships or whatever.

There are a variety of enterprises. It is not unlike our NASA in the sense of being a state agency which has a variety of suppliers it depends upon.

Chairman HAMILTON. It is certainly in the government sector, isn't it?

Mr. COLLINS. The agency absolutely is. But some of those entities from which it is going to contract are being privatized; a number of them are establishing relationships with our aerospace industry. In short, I think a case can be made that it also is promoting a pattern of cooperation between our aerospace industry and theirs, and that much of theirs is learning to deal with private enterprise and will be privatized.

Chairman HAMILTON. OK. Thank you very much, Mr. Ambassador. We appreciate your testimony.

The bells have rung, which means I have to go vote. I think we may have a series of votes.

You have had a long session. We appreciate very much your appearance.

We stand adjourned.

Mr. COLLINS. Thank you, Mr. Chairman.

[Whereupon, at 11:46 a.m., the subcommittee was adjourned.]

APPENDIX

STATEMENT OF JAMES F. COLLINS
BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE
JUNE 29, 1994

Mr. Chairman, it is a distinct pleasure for me to appear before this sub-committee to review with you developments in our relations with Russia and the NIS in the last few months. This Administration has maintained at the forefront of our policy toward the NIS three objectives which are to promote the NIS' integration into the world's security, political and economic structures:

-- democratization of the political process. Only through an open political system of democratic governance will we see the emergence of stable governments, respectful of the rights of their citizens and the territorial integrity of their neighbors. This means foreign and security policies consistent with the principles of the CSCE, UN Charter, and international law;

-- promotion of economic reform that includes transition to a market economy, privatization and stabilizing their macro-economic situation; and

-- prevention of the emergence of any new nuclear power among the NIS and the reduction of the nuclear arsenal in the territory of the former Soviet Union.

Let me begin with discussing the developments in Russia. We have witnessed real progress in each of these areas since the President's meeting with President Yeltsin in Moscow in January.

Six months ago, in the wake of Russia's parliamentary elections, many questioned whether the basis for our policies was "realistic." There were dire predictions about the future of Russia and the NIS. The strong showing by extreme nationalists and neo-communists prompted fears that Russia would witness a new period of political confrontation.

Now, in hindsight, we can see that, while the NIS confront serious political, economic, and foreign policy problems, and the reform path has its ups and downs, the most extreme earlier fears were exaggerated. If the best has not always been achieved, the worst has been avoided.

-- On the economic front, Russian Prime Minister Chernomyrdin has maintained strict budgetary policies that have resulted in a trimming of the Government's budget deficit from 18 percent of GDP in 1992 to 8 percent last year and a sharp drop in inflation from 20 percent a month in 1993 to about 8-9 percent per month since February of this year. Russia's privatization program has also made significant progress. About 80 percent of all small enterprises have been sold off

and over half of the GDP is now produced in the private sector. Russia's 1994 economic reform program earned the IMF's support with a \$1.5 billion loan.

-- President Yeltsin and the Government recently issued a number of decrees to step up reform. These decrees will facilitate Russia's integration with the world economy by cutting quotas and taxes on oil and gas exports. The decrees also tackle some of the thorny problems created by inefficient state firms. The social consequences of reform, while difficult, must be kept in perspective. Wage growth has outpaced inflation by more than 10 percent over the last year. With the strengthening of the ruble, the average real wage has risen from \$40 to \$100. Unemployment has risen, but remains low by European standards.

-- Large-scale confrontation between the Russian executive and legislative branches has not materialized. So far, all major party factions appear to be playing by the rules established by the new constitution. Many recently participated with President Yeltsin in signing a broad political "accord" -- in effect, a pledge of political good behavior -- reflecting the current consensus that the confrontational politics were counterproductive and must be avoided.

-- Alarms that Russia was about to make a sharp turn backward in foreign policy have also proved largely unjustified. To be sure, both President Yeltsin and Foreign Minister Kozyrev have stressed their commitment to defend Russian national interests and U.S.-Russian relations are not as smooth as many had hoped they would be a year ago. But both Yeltsin and Kozyrev have insisted that Russia's national interests can be advanced best through cooperation rather than confrontation with the West. Russia realizes it has strong equities in good and cooperative relations with the U.S. and the West.

-- We have had good cooperation with the Russians on some of the most pressing international problems. Russia's agreement to join the Partnership for Peace last week is a historical, key step forward in our efforts to establish an integrated European security structure. We expect Russia to develop a broad cooperation program with NATO, both within and outside of the Partnership, that reflects Russia's size, importance, capabilities, and willingness to contribute to common objectives of the Partnership for Peace. Armenia, Belarus, Tajikistan, and Uzbekistan are the only NIS that have not yet joined. Ukraine, among the very first to join, has already begun active participation in joint exercises. We are also enjoying productive cooperation with Russia on the Middle East Peace process, of which Russia and the United States are co-sponsors. And we are working together on the North Korean

nuclear question: just prior to North Korea's agreement last week to freeze its nuclear program we and the Russians had consulted closely on a joint UN Security Council resolution on sanctions and an international conference and we found no serious issues that divided us.

-- Russia has also demonstrated that it shares our fundamental goals on resolving the Bosnian crisis. The U.S. and Russia do not see eye to eye on all elements of a Balkan settlement nor do we have identical interests in the Balkans. That is to be expected. Still, we are working closely together, bilaterally and in the Contact Group, to get the parties back to the negotiating table and to bring about a viable political settlement. We have worked cooperatively with the Russians in the UN Security Council to produce key resolutions on the Bosnian crisis. Moscow has contributed troops to aid the UNPROFOR mission in Bosnia and has adhered to the UN arms embargo.

As we look to the future in Russia and the NIS, we must be aware of the challenges ahead:

-- Russia's new democratic institutions are just now taking root, and major institutions, such as an independent judiciary, have yet to be created. Basic democratic, economic, and commercial legislation has yet to be passed.

-- The political landscape continues to be marked by great fragmentation. The lower house of parliament, or Duma, is fractured along multiple party lines, making passage of coherent programs difficult, and the relationship between the central government in Moscow, on the one hand, and local governing bodies in the regions, on the other, remains to be settled.

-- Industrial production continues to decline in Russia, according to official statistics. But many commentators note that these statistics do not capture rising production in the private and non-traditional sectors. Unemployment, which did not exist officially in the Soviet Union, has reached 6 percent, according to official statistics. This will inevitably grow as restructuring results in more plant closings. This adds further urgency to Russia's need to overhaul its social safety net, which will prove particularly difficult during a period of shrinking budgets.

-- Recently, attention both here and in Russia has been focussing on crime and corruption. President Yeltsin has made this problem a number one priority, and we are prepared to help. President Clinton and Secretary Christopher asked me to establish an inter-agency task force to take a good close look at this problem and to develop a program for assisting Russia and the other NIS.

One of the critical long-term questions in the region is Russia's relationship with the other NIS. By its sheer size, economic resources, and politico-military weight, Russia maintains a disproportionate share of influence in the region. This reality, coupled with a history of imperial rule, generates concerns about Moscow's intentions and actions.

Conflicts provide fertile ground for Russian involvement in several NIS. Russia has understandable concerns about the welfare of Russians residing in other NIS, as well as a legitimate interest in stability along its borders and in preventing conflicts near its borders from spilling over into Russia itself. The question is: How does Russia pursue those interests? We insist that Moscow abide by its CSCE, UN, and other international commitments, including to respect the independence, sovereignty and territorial integrity of all states.

We should be careful neither to exaggerate Russian responsibility for troubles in the former Soviet Union nor exonerate Russian misbehavior when it occurs. Russia did not create the ethnic, regional, and civil conflicts plaguing Georgia, Tajikistan, and Nagorno-Karabakh. Nevertheless, some Russian actions have not been consistent with a sincere desire to resolve those conflicts in a manner that bolsters the independence, sovereignty and territorial integrity of the afflicted countries.

We have sought to bolster the sovereignty, territorial integrity, and security of the NIS through preventive diplomacy; and we have enjoyed success. In the Baltic states, for instance, the Russians have continued to withdraw their troops -- despite tensions over the treatment of Russian speakers residing there. All Russian forces have withdrawn from Lithuania. Recently, Russia and Latvia concluded an agreement by which all Russian troops will leave Latvia by August 31. We hope that Russia will soon reach a similar agreement with Estonia -- and have worked to promote that outcome.

Similarly, Russia and Ukraine have been able to address key problems responsibly, despite serious friction. The January 14 Trilateral Statement -- a critical element in the Crimean-Ukrainian relationship -- is being scrupulously implemented. Both the Russian and Ukrainian governments have continued to negotiate over ownership of the Black Sea fleet and Presidents Kravchuk and Yeltsin have assured that the emotionally charged situation in Crimea has remained under political control.

The United States has a major interest in Ukraine, a potentially rich country of over fifty million people strategically located in Central East Europe. A strong, democratic and non-nuclear Ukraine is in our interests because

it will be a major force for stability in Central East Europe and the former Soviet Union. A prosperous Ukraine could become an attractive market for U.S. trade and investment, providing thousands of jobs for Americans. A non-nuclear Ukraine means the elimination of weapons capable of destroying much of the U.S. and a major victory in the effort to curb proliferation. We hope Kiev soon accedes to the NPT.

Over the past year, the Administration has taken major strides forward in enhancing our relations with Ukraine. With the Trilateral Agreement in January, which will lead to the removal of all nuclear weapons from Ukraine, we put the old agenda of nuclear reductions behind us and launched a new one: enhanced cooperation in building a democratic and prosperous Ukraine. In March, Presidents Clinton and Kravchuk had a very successful meeting that defined the new U.S.-Ukrainian agenda.

We aim to stimulate economic reform in Ukraine -- indeed, it is the potential deterioration of the economy that poses the greatest threat to Ukraine's long-term viability. We are paying particular attention to such vital areas as privatization, banking, democratization, energy, and the environment. We are prepared to move forward, but Kiev will have to take some painful decisions on economic reform before we can. It is a mark of how far our bilateral relationship has come in the past year that, working closely with us, Kiev now appears to be moving closer toward making those decisions.

Let me comment briefly on this weekend's election results in Ukraine. President Kravchuk and former Prime Minister Kuchma received the most votes and will face one another in a run-off on or before July 10. Obviously, it is for the people of Ukraine -- not the U.S. government -- to choose between the two. But I fully expect the bilateral U.S.-Ukrainian relationship to keep developing along the very positive lines of the last year. We hope and expect the winner to proceed with the far-sighted approach the Ukrainian government has followed on transferring nuclear weapons to Russia for their elimination. We also hope he will adopt some difficult -- but vital -- decisions to reverse the economic decline and move towards the goal of ensuring a strong, stable and independent Ukraine.

Russian actions have been most problematical in the Transcaucasus and Central Asia where ethnic conflict has erupted. In Georgia, three civil wars have been simmering for the past two years. The situation has been complicated, with the Russian military taking mixed actions which favored the Abkhaz separatists at one point -- which we vigorously protested -- and the Tbilisi government at another. More recently the Russians have cooperated with Chairman Shevardnadze to develop a CIS role as peacekeeper in the Abkhaz area. On May 14, the Georgians and Abkhaz requested that the CIS provide peacekeeping forces to effect a ceasefire and build

conditions to facilitate the return of refugees. The Russians are now working with the UN to determine the modalities of how UNOMIG will interact with the force.

Similarly, Russia has sent mixed signals over the past year on how to resolve the war in Nagorno-Karabakh, over which Armenians and Azerbaijanis have been fighting for six years. Moscow has pursued unilateral efforts at mediating the dispute at the same time the CSCE's Minsk Group has pushed for an international settlement. These competing tracks, coupled with direct Russian approaches to Armenia and Azerbaijan, have led the conflicting parties to "forum shop" and have dampened overall prospects for success. More recently, however, there have been signs and indications that Russia understands it cannot bring about a ceasefire and successful peace negotiation on its own. And we have encouraged Russia to harmonize its efforts with those of Minsk Group Chairman Eliason.

In the summer of 1992, Russian troops intervened in Tajikistan's civil war at the request of the Tajik government. Russia also provided troops to police Tajikistan's southern borders, arguing that stemming the flow of mercenaries and weapons from Afghanistan is essential to Russia's national security. Recently, Russia has played a constructive role in Tajikistan, sponsoring peace talks aimed at fostering a

cease-fire and political settlement, and leading a multinational peacekeeping force of 14,000 Russian and Central Asian troops.

Within the NIS there is no greater threat to the independence and security of these young states than internal conflict. In the Caucasus and in Tajikistan, it is clear that ethnic conflict is undermining the development of viable political systems and economic reform. It is therefore important to U.S. objectives that we mount a sustained effort to bring about an end to these conflicts. In this effort we are engaging the international community and our bilateral diplomacy to ensure that peacekeeping activities and preventive diplomacy promote the ultimate sovereignty and independence of the states concerned.

Russian diplomatic efforts and military forces will inevitably play a central role. Our underlying challenge will be to channel Russian activities in a positive direction, with the aim of strengthening the independence, sovereignty and territorial integrity of the NIS. This requires that Russian forces be present in other NIS only with the freely-expressed permission of those states. It also requires that Russian forces operate in strict accordance with UN, CSCE, and other international standards.

The initial components of such an approach have begun to take shape. Russian-led CIS peacekeeping operations have already been requested by the governments of Tajikistan and Georgia. A possible UN Security Council resolution addressing the effort in Georgia is under consideration in New York. Talks between the Tajik government and the opposition are taking place under UN auspices, and CSCE Minsk Group Chairman Eliason has been engaged in shuttle diplomacy to bring about a ceasefire in Nagorno-Karabakh. We must work closely with our partners in the region, at the United Nations, and in CSCE to develop a comprehensive approach that strengthens regional stability by cementing the independence, sovereignty and territorial integrity of the NIS. In this period of transition, I believe Moscow, in particular, recognizes that it faces a test. It must prove to its neighbors and to the world, that Russian and CIS peacekeeping operations on the territory of the former Soviet Union can be conducted in a manner consistent with international norms. The international community in turn must encourage and support responsible action by Russia and its CIS neighbors in achieving effective peacekeeping and bringing an end to these conflicts.

Vice President Gore and Prime Minister Chernomyrdin met here last week for the third session of the Gore-Chernomyrdin Commission. Because of close and productive ties at many levels -- from President Clinton and President Yeltsin to the

many people who solve the problems of the U.S.-Russian relationship on a day-to-day basis -- the partnership is producing results. We signed a \$400 million contract that will get funds flowing to the Shuttle-Mir project, an important precursor to the Space Station. We also launched the Four-MS project, which involves the American firms Marathon and McDermott, to develop the oilfields of Sakhalin Island. Worth about \$10 billion, it will be the biggest single U.S. investment in Russia and a very positive signal to American investors that they can successfully do business in Russia.

We have developed and are implementing assistance programs aimed at promoting democratic and market economic reform in Russia and the NIS and at achieving substantial reductions in the former Soviet nuclear arsenal. For our assistance to be effective in achieving these goals, the groundwork for reform must be laid by the recipient governments. We have consequently tailored our programs to ensure that they provide appropriate assistance, based on each country's progress on political, economic, and security reforms. We recognize that our assistance programs have some shortcomings, and will work with Congress in our efforts to improve them.

Even as we cope with setbacks and address new problems as they arise, we must continue to encourage Russia and the NIS to make the right choice, and recognize and build on progress. A

stable, democratic Russia and NIS integrated into the international community will enhance U.S. interests in Europe and elsewhere around the world. Opportunities for expanded trade and cooperation on regional and global problems will increase, and the likelihood of the re-emergence of a threat like that posed by the USSR, already reduced, will decrease further.

United States Department of State

Washington, D.C. 20520

Dear Mr. Chairman:

I appreciated the opportunity to testify before the House Foreign Affairs Committee on March 24 regarding the Administration's views on the direction of our assistance program to Russia and the other New Independent States (NIS) of the former Soviet Union.

Because I take very seriously the opinions and questions you and members of the HFAC presented at that testimony, I left our meeting disquieted. It was clear we had not adequately addressed or explained certain issues. In this regard, I would like to take the opportunity to discuss in more detail the issues of conditionality, expenditure rates, crime and corruption, and program phase-down, which you raised during the hearing.

As I testified, the goals of our assistance program are to support the development of democratic political systems, to assist in the transition to market-oriented economies, and to achieve substantial reductions in the former Soviet nuclear arsenal. For our assistance to be effective in achieving these goals, the groundwork for reform must be laid by the recipient governments. So, in addition to considering a country's overall eligibility for assistance under the criteria contained in the FREEDOM Support Act, we also look at what kind of assistance is appropriate, based on progress on political, economic, and security reforms. For example, technical assistance in privatization and in the creation of financial and banking systems only makes sense in an environment in which the host government is pursuing market-based reforms and working to put in place the legal, tax and regulatory framework to support private enterprise.

Because of highly uneven progress toward these goals by the NIS governments, we have not been able to move ahead quickly with the implementation of assistance programs in all sectors

The Honorable

Lee H. Hamilton,

Chairman, Committee on Foreign Affairs,
House of Representatives.

and in all countries. In Ukraine, for example, we could not obligate the \$12 million we had allocated last year for privatization assistance because of the lack of progress in this area by the Government of Ukraine. This year, in contrast, we hope to be able to support privatization in Ukraine, providing the government proceeds with its planned stages to implement a significant privatization program.

On the U.S. side, we have been slowed by contractual, legal, and procedural requirements, as well as cumbersome procedures for making available appropriated funds and for transferring funds between agencies. The combined result of these problems has been a low expenditure rate; as of March 31, only 13 percent of our FY 1992, 1993 and 1994 funding had been expended. Those of us with day-to-day responsibility for these programs are working--in consultation with Congress--to eliminate the procedural delays on our side. We have implemented streamlined inter-agency transfer procedures, begun our FY 1995 budget planning process earlier, and improved reporting mechanisms which will allow us to track our programs more effectively and accelerate expenditure rates.

As we work to improve the delivery of our assistance programs, we know we must be alert to the growing potential for crime and corruption to undermine these efforts. Through careful program monitoring, and selection of reliable implementors for our aid programs, we believe we have in place prudent steps to minimize the potential for corruption affecting our assistance programs. Moreover, since most of our assistance is in the form of technical expertise, rather than cash, opportunities for abuse are considerably reduced. The issue extends well beyond its effect on our assistance programs, however. While the problems of crime and corruption in the Russian society at large do not lend themselves to quick solutions, I am committed to giving this area greater attention in our councils, and we are working to ensure that whatever resources can be appropriately directed at this problem are effectively employed. To monitor this effort and provide it guidance and impetus, I have established an inter-agency task force to review legal, judicial, independent media and regulatory enforcement programs that play a role in our government's effort to work with the Russia government to combat the spread of crime.

Our FY 95 request is the third made under the provisions of the FREEDOM Support Act. We are acutely aware that in authorizing this Act it was Congress' intention that the NIS assistance program would be limited in time and help these countries through a difficult period of transition. We do not, in short, want assistance to become a permanent major fixture of our bilateral relationship with Russia and the other NIS. By the end of the decade we expect to make our last funding

request for Russia and several other NIS and we now expect to see our assistance staffing and programs in the field winding down in these countries by that time.

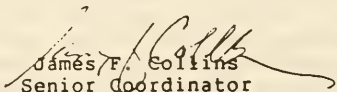
Our budget request for FY 1995 reflects the funds needed to complete multi-year commitments, continue current exchange and other programs, and extend the coverage of existing programs as appropriate to additional countries. We will submit soon a breakout by country for the \$900 million in FY 95 funding. This information will provide a notional and tentative breakdown by country. I hope that there will be understanding for our concern that these figures not be viewed as entitlements. In light of the pace of change in the NIS, we feel the Coordinator of U.S. Assistance must retain the flexibility to be able to shift resources in response to changing circumstances and priorities on the ground in the NIS.

I look forward to discussing with you in greater detail our intentions regarding the allocation of this funding by program and country. However, I want to emphasize the importance of maintaining budgetary and programmatic flexibility in order for us to be able to respond to changing circumstances and priorities in the NIS.

I hope this information clarifies some of the issues raised during the hearing. I look forward to a continued dialogue with you and the other members of the Committee.

With respect,

Sincerely,


James F. Collins
Senior Coordinator
Office of the Ambassador-at-Large
for the New Independent States



United States Department of State

Washington, D.C. 20520

July 1, 1994

Dear Mr. Chairman:

I appreciated the opportunity on June 29 to discuss with you and the other members of the House Foreign Affairs Committee developments in Russia and the New Independent States. I have enclosed answers to questions which arose during my June 29 hearing. I also enclose the country-by-country breakdown of FY95 assistance planning levels you requested at the hearing. These figures update those provided earlier to the Committee by the Bureau of Legislative Affairs.

You also asked me about the answers to questions that were submitted to the Department for response following the March 24 hearing on assistance to the NIS. I am assured by the Bureau of Legislative Affairs that the answers to those questions will be forwarded to your committee on July 5.

Mr. Chairman, I will continue to count on your counsel and that of other members of the committee. I hope I was helpful in clarifying the Administration's views about developments in Russia and the NIS and our policy toward the region. I agree that encouraging Russian reform is our top foreign policy priority. I look forward to working with Congress to ensure that our foreign policy and assistance efforts are as effective as possible in the New Independent States.

With respect,

Sincerely,

James F. Collins
Senior Coordinator
Office of the Ambassador-at-Large
for the New Independent States

Encl.

The Honorable
Lee H. Hamilton
Chairman, Committee on Foreign Affairs
House of Representatives.

Notional Country Planning Levels

FY95 NIS Assistance from Foreign Operations Appropriation

For planning purposes only, the levels of assistance to be provided in FY95 by country are shown below. These estimates are preliminary, based on our best current judgment of local needs and U.S. capabilities, and are subject to change--some up, some down. They apply to foreign operations appropriations only, not to Nunn-Lugar or USDA food grant resources.

The overall objective of our policy, of which bilateral assistance is one component, is to forge a strategic alliance with NIS reform and reformers. Actual assistance levels to NIS countries in FY95 will depend heavily on their commitments, demonstrated in practice, to economic and political reform. These commitments have fluctuated significantly within the NIS; this can be expected to continue. For example, in Ukraine prospects for reform have improved measurably over the past six months. During this period, planned FY94 commitments of U.S. assistance have increased from \$135 million to over \$200 million in NIS assistance funds (when enterprise funds are included). On the other hand, in Belarus the commitment to reform has remained disappointingly weak, and the planned U.S. FY94 commitment has dropped from \$17 million to \$11 million. If hostilities cease in Nagorno-Karabakh, our assistance programs in Armenia and Azerbaijan will clearly be affected. If assistance is to serve the policy of supporting reform, we must maintain the flexibility to make these adjustments. Publicity for these estimates would seriously limit that flexibility by encouraging a sense of entitlement among recipients.

	FY94	FY95
	millions of dollars/percentages in parentheses	
Russia	1627 (66)	371 (42)
Ukraine*	166 (7)	85 (10)
Belarus	11 (.5)	5 (.5)
Moldova	19 (.8)	23 (3)
Armenia	76 (3)	40 (5)
Azerbaijan	12 (.5)	10 (1)
Georgia	31 (1)	26 (3)
Kazakhstan*	96 (4)	50 (6)
Kyrgyzstan	49 (2)	25 (3)
Tajikistan	16 (.7)	12.5 (2)
Turkmenistan	8 (.3)	5.5 (.6)
Uzbekistan	23 (.9)	18 (2)
Regional funds*	324 (13)	204 (23)**
Total	2458	875

*The regional funds include funds for programs that cross country boundaries such as the Eurasia Foundation, reform performance fund, the Central Asian Enterprise Fund and the West NIS Enterprise Fund. Significant portions of the regional enterprise funds in FY94 and FY95 will go to Kazakhstan and Ukraine.

**FY95 regional category, unlike FY94, includes funds to be transferred to other agencies, e.g., Peace Corps, OPIC, TDA, etc.

June 29, 1994

June 29, 1994

**Statement by Hon. Benjamin A. Gilman
Hearing of the Subcommittee on Europe
and the Middle East on Developments
in the Newly Independent States of the
Former Soviet Union**

Mr. Collins, I want to thank you for coming before our Subcommittee this morning to update us on developments in Russia and the other former republics of the Soviet Union.

Let me say a couple of things very briefly.

First, I want to stress that our aid programs under the FREEDOM Support Act are intended to help all of the newly independent states of the former Soviet Union -- and are tied very definitely in that law to their behavior towards each other.

Russia, in particular, as the most powerful of the successor states to the Soviet Union ought to act responsibly if it is to receive our aid -- or, for that matter, the assistance of the European Union or the international financial institutions.

While I commend the Yeltsin Government for the difficult but real reforms it has tried to implement in Russia since 1991, I greatly question its intentions towards the sovereignty of the other newly independent states.

There has just been too much pressure on those other states, both economic and military, both subtle and overt, from Moscow.

Our aid programs for Russia will simply not survive if that continues. The American taxpayer won't stand for it, and I don't think European taxpayers will either. There are far too many other pressing needs in Eastern Europe -- in Ukraine and elsewhere -- to waste our money supporting expansionist Russian policies.

Second, let me say that you must get our programs on the ground in those newly independent states up and running.

If Russia or any other of those countries deserves our aid, it should be provided as promised and not held subject to bureaucratic procedures and competition between agencies here in Washington.

Frankly, there are too many indications that that kind of thing may be going on even now, despite the creation of the Coordinator's office under the FREEDOM Support Act.

If we don't deliver the aid we promise to people going through desperate times, it makes us look like hypocrites to them, if not worse, and feeds the support for people like Vladimir Zhirinovsky.

Finally, you have just got to get rolling on helping these governments to fight crime.

Get the advisers out there and lobby top officials to get the necessary laws passed.

Get their court systems up and running with our assistance.

Get training programs together to teach proper investigative techniques to law enforcement agencies.

We have to address the tremendous problem of the growth of organized crime in the countries of Eastern Europe before it costs us a high and painful price in crime, drug addiction and terrorism.

Mr. Collins, I look forward to your testimony and comments on these matters.

Thank you, Mr. Chairman.

Question for the Record Submitted to
 Senior Coordinator James F. Collins
 By Congressman Gilman
 House Foreign Affairs Committee
 Subcommittee on Europe and the Middle East
 June 29, 1994

Question:

1. Which regions or cities within Russia do you believe are the most willing or eager to participate in reform programs?

Which regions or cities in Ukraine are most eager or willing to participate in reform programs, even if the central government fails to undertake meaningful reforms?

Answer:

Russian reformers are found at all levels of government from the national to the local as well as in the emerging private sector. There are many areas in Russia which are embracing market reforms and making significant progress, among them: the greater Moscow region; the far east region; the St. Petersburg region; the Volga and Don region; and the Urals and Western Siberia region. Among reforming cities and oblasts are: Moscow and Moscow Oblast; Primorskiy Kray, including Vladivostok; St. Petersburg and the Leningrad Oblast; the Nizhny-Novgorod Oblast; and Yekaterinburg and the Sverdlovsk Oblast. The above list is only a sampling of reforming areas in Russia and is not intended to be exhaustive.

In Ukraine, many local authorities, frustrated by Kiev's past reluctance to implement national reform policies, have taken the initiative in adopting local reform measures. In most cases, local reforms have received little or no support from Kiev. Regional and city governments generally are very involved in small business activities, particularly in such

oblasts as Odes'ka, Mykolayivs'ka, and Zaporiz'ka. Small business and other entrepreneurial activities are particularly evident in Odes'ka. Land lease and housing reform is well underway in Kharkivs'ka oblast as well and city projects involving municipal finance reform are underway in L'viv, Ternopil' and Kharkiv.

In many ways, reform efforts underway in Kharkiv compare favorably with the kind of sweeping reform measures underway in Nizhniy Novgorod in Russia, with the important exception that Kharkiv reformers are given little support from the center. Besides the local and regional projects underway there, many U.S. and international reform-oriented assistance projects have taken root there.

Another locally-oriented reform effort under the Farmer-to-Farmer program has already been responsible for inspiring the formation of strong regional farmers' associations, particularly in such oblasts as Luhans'k.

Question:

2. In the first round of Belarus' presidential elections, the man known as the "Belarusan Zhirinovsky," Alexander Lukashenko, literally swamped the other five candidates, getting 45% of the vote with roughly 70% of the voters turning out.

Should Lukashenko win the presidency and seek to either bring Belarus back under Russian domination or actually reunify with Russia, what should be our position?

What has the United States done in recent months to help support those truly concerned for Belarusan sovereignty, such as former Chairman of Parliament Stanislau Shushkevich, to gain fair and equitable treatment from the government in access to the state-run media and other areas in the course of the presidential campaign?

Answer:

As you are aware by now, parliamentary deputy Aleksandr Lukashenko defeated Prime Minister Kebich by a landslide in Belarus' July 10 presidential run-off election after campaigning on a populist platform of fighting crime and corruption and building closer ties to Russia.

By all accounts, the election was conducted in a free and fair manner. In a country with virtually no history of multi-party democratic elections, the tremendous voter participation (80% in the first round, 70% in the second) and fairness of the balloting all indicate that the election was a step forward in the democratic process in Belarus.

According to observers' reports, the Central Electoral Commission (CEC) enforced the provisions of the electoral law providing for equal time allotments to each of the candidates in the national media. Indeed, after a radio broadcast by candidate Shushkevich was interrupted in several parts of the country prior to the June 23 first round election, the CEC required the government to rebroadcast the message in its entirety.

We were pleased to hear President Lukashenko declare shortly after his election that Belarus would continue to adhere to its commitment to arms control agreements and denuclearization. We do not expect the change of government in Minsk to have any effect on the denuclearization process well underway in Belarus. President Lukashenko is also on record as giving high priority to reigning in corruption and building closer economic ties to Russia. This Administration believes that relations between and among the new independent states should be based on mutual respect, proceed in accordance with international norms and standards, and reflect the democratic wishes of the nations' citizens.

Question:

3. What do you expect will happen in Ukraine in the next few months with regard to the growing tension between the central government and the predominantly ethnic Russian Crimea?

What is happening in the ethnic Russian eastern regions of Ukraine and what do you expect will happen there in the next few months?

Have ultra-nationalists in Russia been working to destabilize the ethnic Russian regions of Ukraine?

What are the United States, Germany and the other states of Western Europe doing to try to prevent the outbreak of a conflict in Ukraine?

Answer:

We have observed, since President Kuchma's election on July 10, that political leaders both in Kiev and in Sevastopol have expressed guarded optimism about the possibility of resolving disputes between the two captiols. Concretely, however, we have yet to see any tangible progress in the continuing dialogue between the two parliaments. Recent action by Crimean lawmakers suggests that Crimea is determined to press for independence from Ukraine at least as forcefully as before. In the meantime, both sides appear prepared to continue their dialogue.

Ethnic Russian areas of Ukraine, particularly those in the eastern regions, have become very politically active during the course of the Presidential campaign. Much of this activism has been driven by deteriorating economic conditions in these highly industrialized areas. There is no reason to believe that such political activism will dissipate now that the candidate these regions supported, Leonid Kuchma, has taken office as President of Ukraine. Nevertheless, many of the concerns of the citizens of these regions, as throughout Ukraine, could begin to be addressed through the introduction of a genuine comprehensive economic reform program.

Allegations that ultra-nationalists from Russia have been working to destabilize ethnic Russian regions of Ukraine have been problematic to verify. Cross-border social, cultural and economic activities continue to be important to ethnic Russian communities in Ukraine, particularly in the border regions. These continuing ties are not without political significance but cannot be attributed to Russian ultra-nationalist activists. While such activism undoubtedly exists, we believe that ethnic Russian regions in Ukraine facing potential destabilization are falling victim to economic deterioration first. There is no evidence to suggest that ultra-nationalism is attracting more attention than economic problems.

The United States and its partners, including G-7, NATO, and other partners in Western Europe, are and have been working to assist Ukraine with its deteriorating economy -- the principal causes of tension in Ukraine. Beyond this, the United States and Western Europe, through the CSCE in particular, are working to ensure that CSCE principals governing disputes of the type most relevant to Ukraine's territorial integrity are observed in full.

Question:

4. It is my understanding that countries such as Belarus and Georgia are being persuaded to allow Russian bases on their territory -- sometimes through considerable pressure by the Russian Government -- and then asked to pay for much of their upkeep.

If that is so -- and I would like to know definitely whether it is -- how can increasingly impoverished countries such as these afford the expense of subsidizing the Russian military?

How can the Russian Government afford its current campaign to set up new military bases in places like Georgia, Moldova and Armenia? Is the American taxpayer in effect paying for that effort by providing aid to Russia that frees up funds for such military expansionism?

What is the United States saying or doing with regard to persuading the Russian Government to end this attempt to set up multiple military bases on the territory of neighboring states?

Answer:

We are not aware of any agreements or even negotiations between Russia and Belarus or Moldova over basing rights, nor do we know of any particular pressures being applied by Russia to either of those countries related to basing rights. On the contrary, the only negotiations we are aware of to date concern timetables for the withdrawal of Russian military forces from those countries.

With respect to Georgia, Russian forces have been present since before the breakup of the Soviet Union and the Shevardnadze government has asked the Russian Federation to maintain those troops in Georgia. The Georgians and Russians have conducted preliminary negotiations regarding basing rights, but we have no information that suggests the Georgians would be asked to pay for the troops. U.S. aid to Moscow is provided in such a way that it could not be re-directed to support these pre-existing installations. The U.S. has actively pursued a policy designed to facilitate the return of Russian forces to Russia (e.g., from the Baltics), and we believe the Russians should minimize the number of their troops stationed abroad.

In Armenia, negotiations are still underway regarding a possible Russian base in that country. The Armenian legislature has insisted that Russia should assume all costs for such a base.

Question:

5. What is the status of the 23% tax placed by some Russian taxation authorities on loans to Russian firms that are not provided through Russian banks?

Is that tax obstructing Export-Import Bank loans through the "Oil and Gas Framework Agreement" to Russian oil and gas production enterprises for purchases of equipment?

Answer:

The Russian government has assured us that the Value Added Tax (VAT) will not be assessed on funds transferred in connection with our Bilateral Assistance program. We have also been informed that neither the 20% VAT nor the 3% Special Tax Surcharge will be assessed on funds transferred to joint ventures or for the purchase of securities, or loans by foreign banking institutions. It appears, however, that loans from foreign parent companies to wholly-owned subsidiaries in Russia may still be subject to the 23% VAT and Special Tax Surcharge.

As far as we are aware, these taxes have not obstructed any Export-Import Bank loans through the "Oil and Gas Framework Agreement."

Question:

6. Do you expect that all Russian troops will be withdrawn from Latvia and Estonia by August?

If those troops are not withdrawn by then, do you expect that our aid programs for Russia will be suspended, in line with the requirements of the FREEDOM Support Act?

What can be done to persuade Russia to remove its troops from Moldova?

Do you believe that U.S. aid should continue to go to Russia while its 14th Army openly supports the separatist revolt in Moldova, while Russia prevents the CSCE from seeking to work towards a solution to the conflict and forces Moldova to accept Russia as a supposedly impartial mediator?

Answer:

Russian and Latvian officials signed an agreement on April 30, 1994 which provides for Russian troop withdrawal from Latvia by August 31, 1994. (Under the agreement, Russia will continue to operate the Skrunda radar site for another 4 years, and will then have 18 months to dismantle and vacate the premises.) We expect Russia to abide by the terms of that agreement and have no indication that Russia plans to do otherwise.

Russian and Estonian officials are still negotiating the terms of a troop withdrawal accord. If the sides reach agreement soon, we believe Russia will still have enough time to withdraw its remaining 2500 troops from Estonia by August 31. We are working closely with both sides to achieve this goal.

The Freedom Support Act contains a provision -- the so-called Byrd Amendment -- restricting assistance to Russia unless timetables for withdrawal have been agreed and are being implemented or the President certifies that Russia is making substantial progress toward the withdrawal of its forces from Latvia and Estonia. Under the provision, the certification is valid for a period of six months. The President issued such a certification in December 1993 and June 1994.

We fully support Moldova's call for the withdrawal of the Russian 14th Army from its territory, and have made this point with the Russians and Moldovans on many occasions -- most recently in May and June during my visits to the area.

Russia and Moldova have been negotiating a withdrawal date for the 14th Army for two years. The most recent round of talks ended June 8 in Moscow with the two sides reportedly narrowing the gap between their respective positions. Moldova is now calling for the 14th Army's withdrawal to be completed by January 1, 1996, while Russia is asking for three years from the time of final agreement.

Our assistance programs in both Russia and Moldova are designed to promote democratic and market reforms. The success of reformers in the former Soviet Union would in turn promote the peaceful resolution of foreign policy problems, such as the status of Russia's 14th Army in Moldova.

Question:

7. There are reports that organized crime groups in Russia are gathering information on all top Russian officials and politicians for purposes of intimidation and blackmail. As you know, a member of the lower house of parliament, Andrei Aizderdzis, was murdered recently after he published the names of top crime kingpins in Moscow.

What can be done in the way of US assistance to help the Russian Government to protect Russian officials from intimidation and extortion?

Answer:

Combatting intimidation and extortion of Russian officials is clearly the responsibility of the Russian Government. Our rule of law programs seek to foster a legal, political, and social environment which will enhance the Russian Government's effectiveness in addressing these problems. The FBI and Russia's Ministry of Internal Affairs have begun to exchange information on cases of white collar and organized crime. The establishment of an FBI Legal Attache's Office in our Moscow Embassy will facilitate those exchanges. The Department is planning to support the expansion of U.S.-Russian cooperation between law enforcement agencies.

Question:

8. The recent 20,000-man sweep to arrest organized crime figures in Moscow -- "Operation Hurricane" -- was an almost total failure, likely because corrupt officials leaked word of the operation in advance.

How can we be sure that any intelligence or insights on law enforcement we provide to Russian crime fighting agencies do not end up being leaked to organized crime groups?

Answer:

As in many foreign countries, official corruption is a major impediment in the fight against organized crime in Russia. All USG agencies are aware of this problem and are taking steps to ensure that sensitive U.S.-source information on organized crime is fully protected.

Question:

9. How important to combatting organized crime fraud and embezzlement is the drafting by the Russian parliament of more effective corporation laws, laws defining what constitutes organized criminal activity, a commercial code, and laws to combat capital flight out of Russia?

If they are important, when can we expect the Russian parliament to enact such measures?

How can we, through our aid programs, expedite the parliament's enactment of such measures?

Answer:

This type of legislation is essential to an effective fight against organized crime in Russia. Many such laws are currently being drafted and debated in the Russian Duma. The Duma, however, has passed very little legislation during its first seven months of existence; it is therefore difficult to say when the Duma will enact these sorts of anti-crime measures. President Yeltsin cited the Duma's failure to pass such legislation as one justification for the anti-crime decree he issued on June 14.

Our rule of law assistance programs assist Russian parliamentarians in developing legislation aimed at combatting organized crime. For instance, USIA is coordinating a Russian parliamentary delegation's visit to Washington in late July/early August to discuss inter alia the role of legislatures in fighting crime. Members of Congress and their staffs may also wish to include discussions of such measures on the agenda of emerging exchange programs between our Congress and the Russian Parliament.

Question:

10. An article in the June 1994 issue of "Atlantic Monthly" stated that an AID employee believed that 30% to 50% of AID funds that go to support the privatization process is ultimately benefitting criminal interests.

What is your reaction to that statement?

Are there steps that can be taken to ensure that none of our aid monies inadvertently benefit organized crime in Russia?

Corruption is a problem throughout the governments of the NIS. Are there steps we can take to ensure that officials working in the privatization programs are not themselves corrupt?

Answer:

This statement is frequently heard, but is nevertheless hearsay. While there is no evidence to confirm this assessment of the privatization process, we are of course concerned that no AID funds fall into the hands of organized crime in Russia.

Our assistance programs are designed and controlled by USG officials or by other US organizations under contract to the USG to administer and monitor the assistance program. We are careful to choose only the most reputable private voluntary organizations and non-governmental organizations to handle and distribute our aid. Much of the assistance is provided through expert advisors and not through direct transfers of cash, and thus is less vulnerable to corruption or diversion.

In programs, such as Enterprise Fund grants, careful screening will help ensure that funds are used by reputable companies as we intend. Specifically, in the U.S.-Russia Enterprise Fund, the private Board of Directors, which includes prominent Russian and American members, will monitor the investments closely. Financial and other reports will be required of fund recipients.

Question:

11. Have the State Department and AID agreed to transfer any FREEDOM Support Act monies to the FBI, DEA, or Customs Agency for use in enhancing police training and border control and so help fight the rise of organized crime in that manner?

Answer:

In April, the Department convened an Interagency Group to develop policy and assistance options. The Coordinator's Office and law enforcement agencies, including the FBI, participate in this Group. This group has developed a package of options to help in the fight against crime in Russia. The package contains programs which will address rule of law, cooperation between law enforcement agencies, and law enforcement training. These programs approach the problem from complementary perspectives. Law enforcement agencies will play a major role in the implementation of some of these programs. However, to date, the Department and USAID have not transferred funds to law enforcement agencies for direct training of police.*

Over a year ago, the Department and AID launched a major legal reform initiative which responded to Russian requests for assistance to help create a legal and judicial infrastructure.

We believe this is a necessary first step. We believe the Department of Justice may play a role in the rule of law assistance program.

* The recently passed Senate Foreign Operations Appropriation bill contained two \$15 Million earmarks for FBI and ICITAP programs. As a matter of policy, the Department opposes all earmarks.

Question:

12. What is the level of resistance within the top levels of the Russian military to more active participation in our Nunn-Lugar disarmament programs? Do we have full cooperation or is there reluctance to implement such programs?

Answer:

Although there have been occasional bureaucratic snags that have emerged from the Russian bureaucracy in the implementation of the Nunn-Lugar program, within the top levels of the Russian military there is little resistance to cooperating with us to fulfill Nunn-Lugar goals. We are working closely with both Russian defense industry and the Russian military establishment to implement Nunn-Lugar projects critical to the reduction of weapons of mass destruction in Russia.

Question:

13. President Yeltsin's former Prosecutor-General, who resigned earlier this year in protest over the Parliament's amnesty of Aleksandr Rutskoi and others arrested after the violence in October 1993, has recently stated that Yeltsin has no intention of observing the laws or his own constitution and that a dictatorship is coming to Russia.

What are we to make of such a statement as we consider the question of what parties or individuals within Russia we should support either verbally or materially?

Answer:

Accusations such as former Prosecutor General Kazannik's are part of the political discourse in Russia today. We do not support individuals or parties in Russia; we are supporting the democratic process.

President Yeltsin has repeatedly assured the Russian people that one of his highest priorities is to continue to work toward developing and strengthening a civil society based on the rule of law. President Yeltsin has made the same assurances to President Clinton.

At the time of the amnesty granted by the Duma to former Vice President Rutskoi and others, many Russian officials questioned the legality of the Duma's action. President Yeltsin, however, refused to challenge the Parliament, calling instead for mutual accommodation between the executive and legislative branches and for a period of national reconciliation.

Question:

14. What was President Yeltsin's objective in placing the ITAR-TASS and RIA-Novosti news agencies formally back under the control of the Russian Government? Does that, in your opinion, further the cause of a free press in Russia and the other newly-independent states?

Answer:

Both the ITAR-TASS and RIA-Novosti news agencies have been state-run organizations since their creation. The Russian Government reorganized its press oversight bodies in January of this year, disbanding the Ministry of Press and Information and the Federal Information Center and folding them into the newly-created Russian Federation Committee for Press. However, this reorganization did not affect the status of ITAR-TASS and RIA-Novosti as state-run bodies.

The Russian press is vigorous and wide-ranging. Most newspapers and magazines are independent of the government and thus are unsupervised; many are privately owned; virtually all operate without hindrance from the Russian Government.

Question:

15. How durable do you believe the new Yeltsin Constitution is? It was officially approved by only 58% of the 54% of eligible voters who participated in the December elections, there has been some recent questioning of the legitimacy of that figure, and the reformer Grigoriy Yavlinsky, for one, has already stated that he thinks that a new one will be needed by 1996. What do you think?

Answer:

Russian politics has entered a period of relative stability following the December elections. Almost all elements of the political spectrum in Russia have agreed to conduct themselves according to the new "rules of the game" established by the Russian Constitution. At this juncture, few responsible political figures are calling for rejection or significant modification of the Constitution.

In an effort to strengthen political reconciliation and consensus in Russia, President Yeltsin put forward a draft "Memorandum on Civil Peace and Accord" in March. The document pledges all sides to refrain from violence in pursuit of political aims and calls for a two-year period of political peace to allow the government -- working within the rules established by the Constitution -- to concentrate on economic revival. On April 28, more than 200 political parties, regional leaders, trade unions, and social organizations endorsed the document. Since then, more than 200 additional organizations have signed the "Accord."

Question:

16. Reportedly, there are about 2,000 defense factories in Russia. Is it true that few of them have yet been privatized, despite the tremendous decline in defense procurement since the breakup of the Soviet Union?

Why has the Russian Government waited so long to privatize these types of factories?

When do you understand that they will be privatized?

Answer:

There were approximately 2,000 defense enterprises in Russia in 1992. Russian defense enterprises have participated in the Russian privatization program since it began in 1992. According to Russian media reporting, almost 750 defense enterprises have at least begun the privatization process.

Some of the delays in the privatization of defense enterprises are the result of Russian government concern that it not privatize facilities it considered important to Russian national security. The Russian Ministry of Defense has reportedly prepared a list of enterprises that are prohibited from privatizing, but all enterprises not on this list are expected to eventually privatize.

We believe that President Yeltsin's recent decree on moving forward with phase two of the Russian privatization program will act to spur defense enterprise privatization. Unlike small-scale privatization, the privatization of medium and large enterprises, categories which most defense enterprises fall into, is a much more time-consuming and complicated process. Successful privatization assumes profitability, and the fall-off in domestic defense procurement of, e.g., tanks, combat aircraft and other equipment, as well as generally unsatisfactory efforts to identify export markets, mean that profitability is unlikely under present conditions. We expect that defense enterprise privatization will continue at about the same pace as other large-scale privatization.

Question:

17. What is the status of the effort assigned to the international financial institutions to finance the reform of social welfare systems in Russia and the other newly independent states?

Answer:

Reform of the "social safety net" will play a major role in the transition to a market economy for the all the New Independent States. Among the international financial institutions, the World Bank is ready to take the lead in assisting the reform of social welfare systems in Russia and the other NIS. The Russian government has just begun to place importance on broad social safety net reform and now appears ready to work with the Bank on a comprehensive set of reforms.

Question:

18. How can Russia afford to send billions of rubles in aid and food to the so-called "Dniester Republic" in Moldova despite its own professed need for aid from us?

How can Russia afford to take on the financial implications that might accompany taking control of Belarus' policies under the monetary union agreement that has been tentatively agreed to between the two countries?

Answer:

We do not have an accurate picture of how much aid is being funneled by Russia to the Dniester region, nor what the implications of this aid are for the Russian budget. Resources are of course being directed to the area through the 14th Army in the form of salaries, etc. While these resources constitute an important economic force in the Dniester region, they are funded through the Russian defense budget and are not viewed by the Russians as aid per se.

Although there has been a general agreement for a monetary union between Belarus and Russia, many details remain to be worked out. Belarus' lack of monetary discipline, for example, could undermine Russia's own efforts to control inflation and could impose other costs as well. Russian government officials have said that they recognize this and want to structure any monetary union in a way that limits its cost to the Russian economy. A key will be the exchange rate at which the Belarussian currency is exchanged for the Russian ruble. We will be monitoring developments as they occur.

Question:

The Washington Post today reports that our Ambassador to Germany said recently that the new emphasis on international law enforcement efforts (led by our own FBI Director Louie Freeh) reflects an effort to move crime fighting quote "...to the forefront of U.S. foreign policy." End quote.

As part of that movement of combatting international crime to the forefront of U.S. foreign policy, can you tell me how many Russian law enforcement officials the State Department and AID have in fact paid to have trained to fight crime and corruption in Russia to date out of the large amounts of Freedom Support Act monies we have set aside for the Soviet Union?

Answer:

To date, given our institutional and long-term focus, we have not funded direct law enforcement training out of FREEDOM Support Act monies. However, assistance in this area at State has been done through bilateral law enforcement training programs in the area of counter-narcotics and counter-terrorism. Other U.S. law enforcement agencies such as DEA and the FBI have provided direct training and seminars.

We intend to use FY 1995 FREEDOM Support Act funds to substantially expand our assistance to include programs for training of law enforcement officials in the NIS. These programs will be implemented by U.S. agencies such as the Department of Justice, FBI, DEA, INS and Customs.

103^D CONGRESS
2^D SESSION

H. R. 4210

To authorize the President to establish a program to assist the transition to full NATO membership of Poland, Hungary, the Czech Republic, and Slovakia by January 1999.

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1994

Mr. GILMAN introduced the following bill; which was referred to the Committee on Foreign Affairs

A BILL

To authorize the President to establish a program to assist the transition to full NATO membership of Poland, Hungary, the Czech Republic, and Slovakia by January 1999.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "NATO Expansion Act
5 of 1994".

6 SEC. 2. FINDINGS.

7 The Congress makes the following findings:

8 (1) On January 10, 1994, the leaders of the
9 NATO member nations meeting in Brussels, Bel-

gium, issued an invitation to European countries that do not belong to NATO to participate in a program of expanded cooperation with NATO called the Partnership for Peace.

(2) In that invitation, the leaders of the NATO member nations stated: "We reaffirm that the Alliance, as provided in Article 10 of the Washington Treaty, remains open to the membership of other European states in a position to further the principles of the Treaty and to contribute to the security of the North Atlantic area. We expect and would welcome NATO expansion that would reach to democratic states to our East, as part of an evolutionary process, taking into account political and security developments in the whole of Europe."

(3) The political and economic transformation of the formerly communist-ruled countries of Europe has been under way since 1989. In establishing a new Strategic Concept for NATO in November 1991, the leaders of the NATO member nations observed: "All the countries that were formerly adversaries of NATO have dismantled the Warsaw Pact and rejected ideological hostility to the West. They have in varying degrees, embraced and begun to implement policies aimed at achieving pluralistic de-

1 mocracy, the rule of law, respect for human rights
2 and a market economy.”.

3 (4) In particular, Poland, Hungary, the Czech
4 Republic, and Slovakia have made significant
5 progress toward establishing democratic institutions,
6 free market economies, civilian control of their
7 armed forces, and the rule of law since the fall of
8 their previous communist governments.

9 **SEC. 3. SENSE OF THE CONGRESS.**

10 It is the sense of the Congress that—

11 (1) the leaders of the NATO member nations
12 are to be commended for reaffirming that NATO
13 membership remains open to European countries
14 emerging from communist domination and for wel-
15 coming eventual expansion of NATO to include such
16 countries;

17 (2) Poland, Hungary, the Czech Republic, and
18 Slovakia should be in a position to further the prin-
19 ciples of the North Atlantic Treaty and to contribute
20 to the security of the North Atlantic area not later
21 than January 10, 1999, 5 years from the date of the
22 establishment of the Partnership for Peace, and, in
23 accordance with Article 10 of such Treaty, should be
24 invited to become full NATO members not later
25 than that date, provided these countries—

1 (A) maintain their progress toward estab-
 2 lishing democratic institutions, free market
 3 economies, civilian control of their armed
 4 forces, and the rule of law; and

5 (B) remain committed to protecting the
 6 rights of all their citizens and respecting the
 7 territorial integrity of their neighbors;

8 (3) the United States, other NATO member na-
 9 tions, and NATO itself should furnish appropriate
 10 assistance to facilitate the transition of Poland,
 11 Hungary, the Czech Republic, and Slovakia to full
 12 NATO membership not later than January 10,
 13 1999; and

14 (4) other European countries emerging from
 15 communist domination may be in a position at a fu-
 16 ture date to further the principles of the North At-
 17 lantic Treaty and to contribute to the security of the
 18 North Atlantic area, and at the appropriate time
 19 they should receive assistance to facilitate their tran-
 20 sition to full NATO membership and should be in-
 21 vited to become full NATO members.

22 **SEC. 4. AUTHORITY FOR PROGRAM TO FACILITATE TRANSI-**
 23 **TION TO NATO MEMBERSHIP.**

24 (a) IN GENERAL.—The President may establish a
 25 program to assist the transition to full NATO membership

1 of Poland, Hungary, the Czech Republic, Slovakia, and
2 other European countries emerging from communist domi-
3 nation designated by the President pursuant to subsection
4 (e).

5 (b) CONDUCT OF PROGRAM.—The program estab-
6 lished under subsection (a) shall facilitate the transition
7 to full NATO membership of the countries described in
8 such subsection by supporting and encouraging, inter
9 alia—

10 (1) joint planning, training, and military exer-
11 cises with NATO forces;

12 (2) greater interoperability of military equip-
13 ment, air defense systems, and command, control,
14 and communications systems; and

15 (3) conformity of military doctrine.

16 (c) TYPE OF ASSISTANCE.—In carrying out the pro-
17 gram established under subsection (a), the President may
18 provide to the countries described in such subsection the
19 following types of security assistance:

20 (1) The transfer of excess defense articles
21 under section 516 of Foreign Assistance Act of
22 1961, without regard to the restrictions in para-
23 graphs (1) through (3) of subsection (a) of such sec-
24 tion (relating to the eligibility of countries for such
25 articles under such section).

1 (2) The transfer of nonlethal excess defense ar-
2 ticles under section 519 of the Foreign Assistance
3 Act of 1961, without regard to the restriction in
4 subsection (a) of such section (relating to the jus-
5 tification of the foreign military financing program
6 for the fiscal year in which a transfer is authorized).

7 (3) Assistance under chapter 4 of part II of the
8 Foreign Assistance Act of 1961 (relating to the Eco-
9 nomic Support Fund).

10 (4) Assistance under chapter 5 of part II of
11 that Act (relating to international military education
12 and training).

13 (5) Assistance under section 23 of the Arms
14 Export Control Act (relating to the "Foreign Mili-
15 tary Financing Program").

16 (d) ADDITIONAL ASSISTANCE.—In addition to the se-
17 curity assistance provided under subsection (c), the Presi-
18 dent may, in carrying out the program established under
19 subsection (a), provide assistance from funds appropriated
20 after the date of the enactment of this Act under the fol-
21 lowing accounts:

22 (1) The "Nonproliferation and Disarmament
23 Fund" account.

24 (2) The "Countries in Transition" account.

1 (e) DESIGNATION OF OTHER EUROPEAN COUNTRIES
 2 EMERGING FROM COMMUNIST DOMINATION.—The Presi-
 3 dent may designate other European countries emerging
 4 from communist domination to receive assistance under
 5 the program established under subsection (a) if the Presi-
 6 dent determines and reports to the appropriate congres-
 7 sional committees that such countries—

8 (1) have made significant progress toward es-
 9 tablishing democratic institutions, a free market
 10 economy, civilian control of their armed forces, and
 11 the rule of law; and

12 (2) are likely, within 5 years of such determina-
 13 tion, to be in a position to further the principles of
 14 the North Atlantic Treaty and to contribute to the
 15 security of the North Atlantic area.

16 **SEC. 5. AUTHORIZATION OF STATUS OF FORCES AGREE-**
 17 **MENTS.**

18 The President is authorized to confer, pursuant to
 19 agreement with any country eligible to participate in the
 20 Partnership for Peace, rights in respect of the military
 21 and related civilian personnel (including dependents of any
 22 such personnel) and activities of that country in the
 23 United States comparable to the rights conferred by that
 24 country in respect of the military and related civilian per-

1 sonnel (including dependents of any such personnel) and
2 activities of the United States in that country.

3 **SEC. 6. REPORTING REQUIREMENT.**

4 (a) IN GENERAL.—Not later than 1 year after the
5 date of enactment of this Act, and at least once every year
6 thereafter, the President shall submit to the appropriate
7 congressional committees a report on the implementation
8 of this Act.

9 (b) CONTENTS.—Each such report shall include—

10 (1) an assessment of the progress made by Po-
11 land, Hungary, the Czech Republic, Slovakia, and
12 other European countries emerging from communist
13 domination designated by the President pursuant to
14 section 4(e) toward meeting the standards for
15 NATO membership set forth in Article 10 of the
16 North Atlantic Treaty, including—

17 (A) an assessment of the progress of such
18 countries toward establishing democratic insti-
19 tutions, free market economies, civilian control
20 of their armed forces, and the rule of law; and

21 (B) the commitment of such countries in
22 protecting the rights of all their citizens and re-
23 specting the territorial integrity of their neigh-
24 bors;

(2) a description of all assistance provided under the program established under section 4, or otherwise provided by the United States Government to facilitate the transition to full NATO membership of Poland, Hungary, the Czech Republic, Slovakia, and other European countries emerging from communist domination designated by the President pursuant to section 4(e);

(3) a description of all assistance provided by other NATO member nations or NATO itself to facilitate the transition to full NATO membership of Poland, Hungary, the Czech Republic, Slovakia, and other European countries emerging from communist domination designated by the President pursuant to section 4(e); and

(4) a description of any agreement entered into pursuant to section 5.

SEC. 7. DEFINITIONS.

For purposes of this Act, the following definitions apply:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term “appropriate congressional committees” means the Committee on Foreign Affairs, the Committee on Armed Services, and the Committee on Appropriations of the House of Representa-

1 tives and the Committee on Foreign Relations, the
2 Committee on Armed Services, and the Committee
3 on Appropriations of the Senate.

4 (2) NATO.—The term “NATO” means the
5 North Atlantic Treaty Organization.

6 (3) OTHER EUROPEAN COUNTRIES EMERGING
7 FROM COMMUNIST DOMINATION.—The term “other
8 European countries emerging from communist domi-
9 nation” means—

10 (A) any member of the Conference on Se-
11 curity and Cooperation in Europe located—

12 (i) in the territory of the former
13 Union of Soviet Socialist Republics; or

14 (ii) in the territory of the former So-
15 cialist Federal Republic of Yugoslavia; or

16 (B) Estonia, Latvia, Lithuania, Romania,
17 Bulgaria, or Albania.



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